



PPG Industries, Inc.  
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**William H. Hernandez**  
Sr. Vice President, Finance

August 2, 2004

Letter of Comment No: 25  
File Reference: 1099-001

**VIA E-MAIL**

Technical Director – File Reference 1099-001  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116  
director@fasb.org

Re: Proposed Interpretation of FASB Statement No. 143

Dear Director:

PPG Industries, Inc. (PPG) is pleased to submit its comments on the exposure draft, "Proposed Interpretation, Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143." PPG is a Fortune 500 company and a leading global producer of coatings, glass and chemical products. The company employs approximately 33,000 employees, worldwide.

The exposure draft would require an entity to recognize a liability for the fair value of an asset retirement obligation that is conditional on a future event if the liability's fair value can be estimated reasonably in accordance with FASB Statement No. 143, *Accounting for Asset Retirement Obligations* (FAS 143 or Standard). We strongly urge the Board not to adopt the provisions of the exposure draft.

FAS 143 requires that an asset retirement obligation be recorded in the period incurred if a reasonable estimate of fair value can be made. In paragraph 2 of FAS 143, the scope of this standard is described as applying to legal obligations associated with the retirement of long-lived assets. In substance, this establishes that two important conditions precedent must exist for the obligation to have been incurred. Namely, there must be an existing law or contract establishing the future obligation and there must be little or no opportunity for this future obligation to be avoided. FAS 143 makes it clear that the existence of the obligation must be certain in order for an ARO to be recorded. The existence of the obligation is not conditional, only the measurement of the liability is conditional on the timing and method of settlement. This exposure draft extends the application of conditionality to the existence of the liability which will result in AROs being accrued that are neither certain nor even probable of having yet been incurred.

This is particularly true in the case of asbestos abatement, which is introduced in an example of an ARO in this Interpretation. The laws and practice surrounding the management and removal of regulated asbestos containing material (RACM) are specifically aimed at preventing disturbance of the asbestos fibers through techniques such as encapsulation. The law encourages maintenance of the asbestos, not its removal and, therefore, the obligation can be avoided for hundreds of years if there is no intent to remodel, renovate or demolish the buildings where most of the asbestos is contained.

The hypothetical cost of abating asbestos at some uncertain, distant point in the future is not an asset retirement obligation as defined in FAS 143, because the relevant law only establishes an obligation under some, but not all disposal circumstances. At the time the asset is acquired, there is no certainty that a related obligation for asbestos abatement exists. Until this conditionality is removed by changes in circumstance in the future, no ARO exists nor should be accrued. We believe the exposure draft of the Proposed Interpretation should make it clear that uncertainty concerning when or how the obligation will be settled still requires an ARO to be recorded but uncertainty concerning whether an obligation exists results in no ARO being recorded.

We also wish to respond to the two issues you set forth in the Exposure Draft of the Interpretation.

#### Issue No. 1 - Uncertainty

We do not agree with the Board's conclusion that the uncertainty surrounding the timing and method of settlement can be factored into the measurement of the liability. It is our view that in order to conclude that the resulting measurement of the liability has been objectively determined, consideration must be given to the magnitude of uncertainty that had to be factored into its measurement. In the case of AROs, the long period over which timing issues will be resolved and the breadth of settlement alternatives that exist can combine to create a level of uncertainty that cannot be objectively factored into measuring the ARO liability when the asset is constructed or purchased.

In establishing this or any other accounting standard, we believe it is important that the information required to be presented in the financial statements is reliable and that reliability should not be sacrificed in the name of theoretical correctness.

Under Concepts Statement 7, "the application of an expected cash flow approach (to estimating fair value) is subject to a cost-benefit constraint. In some cases, an entity may have access to considerable data and may be able to develop many cash flow scenarios. In other cases, an entity may not be able to develop more than general statements about variability of cash flows without incurring considerable cost. The problem is to balance the cost of obtaining additional information against the additional reliability that information will bring to the measurement." When the magnitude of uncertainty surrounding the timing and method of settling the obligation, and the subjectivity around the probability is great, the question that should be raised is whether such a measurement results in reliable information suitable for presentation in the financial statements.

Issue No. 2 - Existence of a Liability

We do not agree with the Board's conclusion that the ability to indefinitely defer settlement of an asset retirement obligation or avoid the obligation by sale or abandonment does not provide the entity with sufficient discretion to avoid the future sacrifice nor relieve it of the obligation. These points suggest to us that the liability is not yet certain or at least probable and, therefore, it is not yet time to accrue a liability. Specifically in the case of regulated asbestos containing material, the laws and practice surrounding the management and removal of RACM are specifically aimed at preventing disturbance of asbestos fibers because of the harm that can be caused through disruption. Therefore, active maintenance of RACM, through techniques such as encapsulation, will allow RACM to be maintained for an extended period of time. An abandoned building containing RACM can stand for hundreds of years so that indefinite deferral is tantamount to avoidance considering the time value of money.

We are pleased to be a participant in the standards setting process and to have had the opportunity to express our views on this proposed interpretation. However, as a participant in that process we would like to better understand why the Board decided to address this very narrow issue. FAS 143 is fairly new and we are not aware of any hue and cry from users of financial statements expressing concern over this issue. We support the notion of more principles-based accounting standards and believe this Proposed Interpretation would take us in the opposite direction.

Should you have any questions regarding our comments, please contact Kim Edvardsson, Director, Financial Accounting, at 412-434-3238.

Sincerely,



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cc: K. Edvardsson  
D. B. Navikas