DELPHI

June 30, 2004

Letter of Comment No: 5538 File Reference: 1102-100

Director of Major Projects
File Reference 1102-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Director of Major Projects:

Delphi Corporation respectfully submits certain comments communicating our position on specific matters of the <u>Proposed Statement of Financial Accounting Standards Share-Based Payment an amendment of FASB</u> Statements No. 123 and 95.

We are supportive of a consistent approach to the accounting for share-based payments among companies. The current state which allows some companies to recognize share-based payments as expense while others do not results in an inherit lack of comparability among financial statements. This can be a source of confusion for investors and other financial statement users. For this reason, we are supportive of the requirement to recognize compensation cost in the financial statements. In the spirit of comparability, we believe the standard should mandate the use of a specific option-pricing model for measurement purposes. The proposed standard as currently drafted, still allows a significant degree of flexibility in the development of assumptions and the method utilized to measure the fair value of share options. Though a lattice model is preferred, it is not required so from company to company different option-pricing models will be utilized. We recommend the requirement of a specific option-pricing model to maximize consistency and comparability of results among companies.

With regard to the accruing for compensation expense, we do not agree with the proposed statement's requirement to treat each separately vesting block of one award as separate awards. We believe it is common practice for companies to award a block of options to an employee, a portion of which become exercisable at the end of each year of the vesting period as reward for that year's service. By requiring the company to expense a portion of the subsequent years' (i.e. year 2, 3, etc.) expense each year, the timing of the expense does not match the timing of the service being provided in exchange for that compensation. When a group of options are granted to an employee with a multiple-year vesting period the timing of the expense recognition should be the same regardless of whether all options become exercisable at the end of that vesting period or they become exercisable on a pro rata basis each year over the vesting period as is currently permitted by Statement 123.

We agree with the Board's conclusion that the deferred tax benefit should be recognized based on the fair value of the underlying compensation expense then trued up to the actual amount of the tax deduction at the time the option is exercised and the tax deduction is realized on the tax return. We do not agree with the requirement that the full amount of a tax deficiency must be recognized in the income statement while the excess tax benefits are recorded as an adjustment to equity. We believe the accounting should remain consistent with Statement 123, where tax deficiencies are recorded as adjustments to equity to the extent that there are excess benefits in equity from previous awards.

Please contact us if you desire further input or clarification at (248) 813-2605.

Sincerely,

John D. Sheehan

Chief Accounting Officer and Controller