

INTERNATIONAL BROTHERHOOD OF TEAMSTERS

AFL-CIO



OFFICE OF
JAMES P. HOFFA
GENERAL PRESIDENT

November 22, 2002

Mr. Robert Herz, Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Letter of Comment No: 20
File Reference: 1125-001
Date Received: 12/2/02

Dear Mr. Herz:

On behalf of the 1.4 million active and the 600,000 retired members of the International Brotherhood of Teamsters (IBT), the IBT is in support of the Financial Accounting Standards Board's (FASB) recent proposal to institute a "Principles-Based Approach to U.S. Standard Setting," File Reference No. 1125-001.

If adopted by the Securities and Exchange Commission (SEC), this proposal would go a long way toward fulfilling the Board's mandate to establish a corporate accounting system that is fair, transparent, reliable, and understandable. Recent events make this change all that much more important.

The current rules-based system is riddled with exceptions and even exceptions to the exceptions. The system is full of loopholes, and frequent rule changes make it difficult for even the most diligent accounting professional to remain current. The system allows less-than-ethical accountants to construct financial statements that hide the truth about a company's true financial condition. A case in point is stock option expensing. Under the current system, the vast majority of corporations do not expense stock options that are given to executives and other employees of the company. Even where the corporation does report these options, investors must wade through a sheaf of small-print footnotes before they can even guess at the effect of those options on the company's bottom line.

In our view, a principles-based system will correct many, if not all of the shortcomings of the current rules-based system, and will provide investors with as much direct, reliable, and understandable information about a company as reasonably possible. Making such a dramatic change will signal the kind of significant and swift action necessary to restore some semblance of investor confidence in the wake of the hard lessons that came from the collapse of Enron and other major corporations.

A principles-based system would curb the mischief inherent in the current rules-based, exception-rich system. In a principles-based approach to accounting, an accountant first determines whether a particular rule governs the situation in question. If no rule applies, the accountant is required to apply the main objective or principle. There would be no exceptions to the main principle. Under the system that is in place today, there are simply too many rules and situations where one rule contradicts the other. The proposed principles-based system would allow fewer loopholes and would provide better, more reliable, and consistent guidance.

The benefits are so clear that the principles-based system is used virtually everywhere else in the world, including the United Kingdom, and with much success. Adopting a principles-based system in the United States would mean that companies listed on European stock exchanges as well as companies listed on exchanges here in the United States will both follow the same system, and an investor will be better able to compare financials of a company based in the Philippines (or anywhere else) to one based in Pennsylvania.

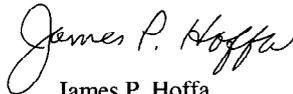
The only disadvantage that we can see is that a principles-based system could generate disagreements among auditors that may have different ideas about how the established principles apply with respect to certain situations and circumstances. In our opinion, however, this disadvantage is far outweighed by the likely efficiencies from moving to a principles-based system. The existing rules-based system complicates analysis by requiring the reconciliation of often conflicting rules and, therefore, has slowed the ability of the SEC to evaluate and react to sometimes critical issues. According to a recent NY Times article, Chairman of the SEC Harvey Pitt has stated that "because the standards are developed based on rules, and not broad principles, they are insufficiently flexible to accommodate future developments in the marketplace. This has resulted in

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accounting for unanticipated transactions that is less transparent and less consistent with basic underlying principles than should apply.”

Thank you for this opportunity to comment. If you require any additional information, please contact the IBT's Office of Corporate Affairs at (202) 624-8100.

Very truly yours,

A handwritten signature in cursive script that reads "James P. Hoffa". The signature is written in black ink and is positioned above the printed name and title.

James P. Hoffa
General President

cc: Chairman Harvey Pitt, SEC