



August 29, 2002

Letter of Comment No: 30  
File Reference: 1082-200  
Date Received: 08/29/02

Ms. Suzanne Bielstein  
Director, Major Projects and Technical Activities  
Financial Accounting Standards Board  
401 Merritt 7  
Post Office Box 5116  
Norwalk, CT 06856-5116

Re: Comments on the Proposed Interpretation of ARB No. 51,  
Consolidation of Special-Purpose Entities  
File Reference No. 1082-200

Dear Ms. Bielstein:

General Motors Corporation appreciates the opportunity to provide comments on the Proposed Interpretation of ARB No. 51, Consolidation of Special-Purpose Entities ("Proposed Interpretation"). In addition, GM's wholly-owned subsidiary, General Motors Acceptance Corporation, will provide comments from a financial service company's point of view on the Proposed Interpretation under separate cover. GM's comments are as follows:

We agree with the Proposed Interpretation's objective to improve the financial reporting of entities involved with SPEs, however, we are concerned that when the proposal is implemented, a great number of financial SPEs will be consolidated even though the Board has stated that risk dispersing entities should not be consolidated. In addition, we feel that the proposal as currently written would restrict the use of SPEs in general and could disrupt the financial markets and the economy as many companies rely on these entities as a source of liquidity. We believe that the Proposed Interpretation's objective could be addressed through enhanced disclosures about SPEs that continue to be excluded from consolidation.

To start with, we do not agree with the inclusion of leases within the scope of the Proposed Interpretation. The implementation of the proposal would result in drastically different accounting for two identical leasing transactions where one structure used an SPE and the other did not. We feel that current guidance regarding lease accounting is well established and understood by the financial community and investors alike. The proposal as written would in effect amend SFAS 13, which is not the intent of the Proposed Interpretation.

The Proposed Interpretation's guidance on analyzing variable interests is inherently flawed. Many of the structures regarding SPEs involve various parties with complex financial interests. Evaluating and measuring the variable interests among various parties will prove to be a highly subjective task. Paragraph 21, states that "If two enterprises have variable interests in the same SPE of similar size and neither variable interest is subordinate to the other, the specific risk to which a variable interest is subject shall be considered," various parties will find it difficult to identify the dominant risk in an SPE since it is debatable which factors will cause the most significant change in cash flows. In addition, determination of probabilities are highly subjective, especially when derivative financial instruments are involved. We feel given these difficulties in implementation that it is quite possible that multiple parties or, none at all, may conclude that they are the primary beneficiary and should consolidate the SPE. To avoid such occurrences, we encourage the Board to modify the guidance to allow for a more mainstream analysis based on expected losses given the most likely scenario or outcome.

In addition, consolidation of an SPE should be limited to the primary beneficiary who holds a majority of the variable interests. This would be more consistent with existing accounting rules for consolidation, based on the party who has a majority of the voting control. The requirement to determine whether an entity holds significantly more variable interests than others is subjective and will be difficult to accurately and consistently calculate and apply across different entities.

It is our understanding that the Board intends to issue the final interpretation in the fourth quarter of this year. If not modified, the interpretation would require companies to adopt as of the beginning of the fiscal period beginning April 1, 2003. We feel that the effective date should be delayed, given the fact that companies will not have adequate time to analyze the impact of the new standard and modify its structures where necessary when companies will be working towards the implementation of three other new standards during the first quarter of 2003. In addition to FAS 143, FAS 146, and the final interpretation on guarantees, we expect to have to implement additional disclosure rules from the Securities and Exchange Commission, all at the time of the year-end close, when resources are already tightly constrained.

In conclusion, we believe that the Proposed Interpretation as written would alter the structures that companies have relied on for liquidity under current accounting guidance and would also contribute to the consolidation of many SPEs that were not intended by the Board to be consolidated. We encourage the board to consider our comments as well as comments from other corporations while developing the final interpretation. While we are in favor of enhancing disclosure requirements surrounding SPEs that will increase transparency and add value to our financial statements, we conclude that further amendments to the proposal should be made in order for the implementation of the interpretation to meet the Board's stated objective.

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We thank you for the opportunity to comment on the Proposed Interpretation. Please feel free to contact me at (313) 667-3485 for further discussion on this project.

Sincerely,

s/Peter R. Bible

Peter R. Bible  
Chief Accounting Officer