

August 12, 2003

Director, TA&I – FSP
Financial Accounting Standards Board
401 Merritt 7
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Norwalk, CT 06856-5116

Re: Comments on Proposed Financial Accounting Standards Board (FASB) Staff Position (FSP) relating to the Applicability of FASB Statement No. 143 (SFAS 143), *Accounting for Asset Retirement Obligations* (ARO), to Legislative Requirements on Property Owners to Remove and Dispose of Asbestos or Asbestos-Containing Materials

The undersigned wishes to comment on behalf of The Boeing Company on the proposed FSP issued by the FASB related to the application of SFAS 143. We applaud the FASB's efforts to provide more specific accounting guidance related to asset retirement obligations for asbestos removal, and provide the following comments:

- We believe that asbestos removal costs should be within the scope of SFAS 143 only if the owner is legally obligated to perform the removal of the asbestos, such as in the case of demolition or renovation. In circumstances not legally requiring the removal of the asbestos, such as ultimate disposal by sale, other existing authoritative literature should be applied, such as Emerging Issues Task Force Issue No. 89-13 (EITF 89-13), *Accounting for the Cost of Asbestos Removal*.
- We believe that an owner should not record a liability for an event that may occur in the future (for example, fires, boiler explosions, water damage, natural disaster) as implied in the proposed FSP. This concept is inconsistent with the definition of a liability per FASB Statement of Financial Accounting Concepts No. 6 (CON 6), *Elements of Financial Statements*, paragraph 35. We recommend removing from the proposed FSP the paragraph referring to a requirement to accrue an asbestos liability for future events that may occur outside the control of the owner.

Scope of SFAS 143 and Asbestos Removal Costs

SFAS 143, paragraph 2, states "this Statement applies to legal obligations associated with the retirement of a tangible long-lived asset that result from the acquisition, construction, or development and (or) the normal operation of a long-lived asset." Paragraph 2 of SFAS 143 defines a legal obligation as "an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel." The asbestos-related legislation referred to in the proposed FSP applies to demolition and renovation of a building or a component of a building that contains asbestos. Therefore, a legal obligation to remove asbestos would arise only if an owner a) intends to demolish or renovate a building or a component of a building or b) makes a commitment to remove the asbestos that is considered a contract under the doctrine of promissory estoppel. We believe that only in these cases should the cost to remove the asbestos be within the scope of SFAS 143 and recorded as an ARO. If an owner has not incurred a legal obligation to remove asbestos, then we believe other existing authoritative literature, such as EITF 89-31, should be applied when accounting for the asbestos removal costs.

We recommend that the proposed FSP be revised to apply only to circumstances in which an owner has incurred a legal obligation to remove asbestos. For example, selling a building with asbestos does not create a legal liability for the current owner and should not be within the scope of SFAS 143, unless the current owner makes a commitment to the buyer to remove the asbestos.

Application of CON 6 definition of a liability

This proposed FSP supports the position for recording an asset retirement obligation for asbestos removal under any circumstance by arguing that events outside the control of the owner (such as fires, boiler explosions, water damage, natural disaster) could require that asbestos be removed from the building at any time, and therefore, an asset retirement obligation should be recorded for these costs. We believe that an owner should not record a liability for an event that may occur in the future (for example, fires, boiler explosions, water damage, natural disaster) as implied in the proposed FSP. This concept is inconsistent with the definition of a liability per CON 6, paragraph 35, in which liabilities are defined as “probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.” Therefore, we recommend removing from the proposed FSP the paragraph referring to a requirement to accrue an asbestos liability for future events that may occur outside the control of the owner.

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We appreciate the opportunity to comment on this topic and your attention to our comments.

Sincerely,

James A. Bell
Senior Vice President Finance and Corporate Controller
The Boeing Company