



280 Park Avenue New York, N.Y. 10017 8th Floor

July 16, 2003

Mr. Lawrence W. Smith
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06865-5116

Proposed FASB Staff Position: Applicability of FASB Statement No. 143, Accounting for Asset Retirement Obligations, to Legislative Requirements on Property Owners to Remove and Dispose of Asbestos or Asbestos-Containing Materials

Dear Mr. Smith:

We agree with the guidance in the proposed FASB Staff Position, "Applicability of FASB Statement No. 143, Accounting for Asset Retirement Obligations, to Legislative Requirements on Property Owners to Remove and Dispose of Asbestos or Asbestos-Containing Materials (FSP)". We encourage the staff to issue the FSP to reduce the current diversity in practice in applying the provisions of Statement 143 to obligations to remove asbestos and similar obligations.

We agree with the FASB staff's conclusion that an obligation to remove asbestos and asbestos-containing materials from a building or other long-lived asset is an asset retirement obligation for which an enterprise should recognize a liability if it can reasonably estimate the fair value of the liability. We believe that the FSP should state specifically that the obligating event occurs upon the acquisition or construction of an asset that contains asbestos.

The FASB staff's conclusion is consistent with our views on the broader, fundamental issue of whether Statement 143 applies to legal obligations to perform asset retirement activities when the entity is not legally obligated to retire the asset but is legally obligated to perform asset retirement activities if and when the asset is retired. We believe that Statement 143 applies to legal obligations to perform asset retirement activities if and when an asset is retired and that an enterprise should recognize a liability for such





Mr. Lawrence W. Smith July 16, 2003 Page 2

obligations in the period in which the obligation is incurred – generally upon acquisition or construction or through the operation of the asset (i.e., as the asset becomes contaminated). For example, paragraph A15 of Statement 143 provides an example of bricks that become contaminated by the operation of an aluminum smelter. The owner is legally obligated to dispose of the bricks at a special hazardous waste site when the bricks are removed from the kiln. However, the owner is not legally obligated to remove the bricks. In this example, we believe that the obligating event is the contamination of the bricks and that the owner should recognize a liability for the obligation in the period in which the contamination occurs, not when the bricks are removed from the smelter.

* * * * *

If you have questions about our comments or wish to discuss any of the matters addressed herein, please contact John Guinan at (212) 909-5449 or Mark Bielstein at (212) 909-5419.

Very truly yours,

KPMG LLP