

Atlas Air Worldwide Holdings, Inc. 2000 Westchester Avenue Purchase, NY 10577-2543

September 13, 2013

Technical Director
File Reference No. 2013-270
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Re: Proposed Accounting Standards Update (Revised) Leases (Topic 842) a revision of the 2010 proposed FASB Accounting Standards Update, Leases (Topic 840)

Dear Technical Director:

We appreciate the opportunity to comment on the referenced revised Exposure Draft ("ED") issued by the Financial Accounting Standards Board (the "FASB"). Atlas Air Worldwide Holdings, Inc. ("AAWW") is a publicly traded, leading global provider of outsourced aircraft and aviation operating services with annual revenue in excess of \$1.6 billion and assets in excess of \$3.3 billion.

AAWW provides services to airlines, express delivery providers, freight forwarders, the U.S. military and charter brokers. As part of our service offerings, we are lessors of cargo and passenger aircraft, as well as engines. Depending on the type, our aircraft and engines have a total economic life of 25 to 40 years. While we own most of our aircraft and engines, we are also a lessee for some of these assets.

We believe the current accounting guidance for leases works well for, and is understood by, users of our financial statements. We also believe that the ED is too complex and is not a significant improvement over current accounting guidance. If the FASB believes that investors and analysts need more information to evaluate lease obligations (which would be inconsistent with feedback from our investors), additional informational disclosure for lessees could meet those needs. We also recognize that a study released by the American Accounting Association in July 2013, as well as conclusions of the FASB's Investors Advisory Committee similarly recommend improved disclosure rather than changes to the existing lease accounting.

Our business is global and complex, involving the provision of services utilizing aircraft that typically involves multiple agreements with different customers over the aircraft's useful life. Our investors, almost all of which are institutional, and analysts are able to understand and effectively evaluate our business using current lease accounting and footnote disclosures. We are concerned that the proposed accounting changes in the ED would lead to confusion for our investors and analysts with no additional benefit provided when compared to current accounting guidance.

The proposed changes in the ED would require us to implement new processes and software for the accounting and disclosures. Significant work would also be required under either the full or modified retrospective transition approaches. The ED would also require the use of significant judgment in several areas (e.g., identifying a lease, classifying a lease, determining the lease term and measuring the residual asset). Since we do not believe that the proposed changes would provide any significant benefit to our investors and analysts (and may likely confuse them), we are concerned that the associated costs and efforts would be an unnecessary burden on AAWW's resources.

Based on the above, we recommend that the FASB reconsider an approach to the project that maintains the current accounting guidance for lessees and lessors and, instead, considers modifying the disclosure requirements for lessees.

With that said, should the FASB decide to adopt the proposed changes in the ED, we recommend the FASB retain the current lessor accounting guidance. We believe that current lease accounting more appropriately reflects the substance and overall economics of our business model and meets the needs of our investors and analysts. We also believe that symmetry between lessee and lessor accounting is not necessary and should not be a goal of the project.

We do not agree with the proposed use of two different sets of criteria for lease classification depending on whether the asset is considered property or not property. If the FASB decides to change the accounting for lessees and/or lessors, we recommend a single set of lease classification criteria using the criteria proposed for property regardless of the type of underlying asset involved. The characteristics of a lease for an aircraft with a total economic life of 25 to 40 years are similar to some building leases. Consistent with current accounting guidance, we agree that there are two types of leases that should have different accounting. For example, we believe that the accounting for an equipment manufacturer that effectively transfers all of the risks and rewards of the equipment to a customer in the form of a lease should be different than the accounting for equipment rented for a relatively short period of time compared to the life of the asset.

Based on the above summary, we provide in Appendix A responses to certain questions set forth in the ED.

We would be pleased to discuss these comments further or answer any questions that you may have. You can contact either Spencer Schwartz at 914-701-8763 or Keith Mayer at 914-701-8349.

Sincerely,

Spencer Schwartz

Senior Vice President and Chief Financial Officer

Atlas Air Worldwide Holdings, Inc.

Keith H. Mayer

Vice President and Corporate Controller

Atlas Air Worldwide Holdings, Inc.

Appendix A Responses to the ED:

Question 2: Lessee Accounting

Do you agree that the recognition, measurement, and presentation of expenses and cash flows arising from a lease should differ for different leases, depending on whether the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset? Why or why not? If not, what alternative approach would you propose and why?

While we agree that the recognition, measurement, and presentation of expenses and cash flows arising from a lease should differ for different leases (consistent with current accounting guidance), we do not agree with the proposed lease classification criteria for non-property assets. As previously noted, we propose that the lease classification criteria for property assets should also be used for classifying non-property assets.

There are many similarities in certain leases of property and non-property assets. As an example, a building and an aircraft lease have the following similarities:

- Our aircraft (primarily large, wide-body aircraft with an original purchase price in excess of \$125 million) have a total economic life ranging from 25 to 40 years, which is similar to many types of real property.
- Both types of assets are actively managed and typically leased numerous times over their economic life.
- Lease rates for aircraft can increase or decrease due to a variety of market conditions, such as the price of fuel and the global supply and demand for aircraft capacity. This is similar to rate fluctuations for buildings driven by local real estate market conditions.
- Since aircraft and building leases typically have no option to purchase or transfer title at the end of the lease, lessees generally have no risk and reward of ownership if the value of the underlying asset fluctuates.

Given the above, we are concerned that most of our aircraft leases would be classified as Type A, while similar building leases would likely be classified as Type B using different criteria in the ED.

The lease classification criteria for property assets uses terms that are consistent with the criteria currently used in International Accounting Standard 17 *Leases*, which we believe are well understood by preparers and users and avoid the bright lines used in current U.S. lease accounting guidance.

Question 3: Lessor Accounting

Do you agree that a lessor should apply a different accounting approach to different leases, depending on whether the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset? Why or why not? If not, what alternative approach would you propose and why?

Although we agree that a lessor should apply a different accounting approach to different leases, we do not agree with the proposed lease classification criteria for non-property assets for the reasons previously noted in Question 2.

As a lessor, we are also concerned that classifying most of our leases as Type A using the nonproperty classification criteria model would result in increased judgment in the calculation of gains and losses with every lease term or payment change. Given fluctuations in asset values, we would likely be required under the Type A accounting model to recognize a gain or loss at the commencement date of the next lease to adjust the aircraft to its current fair value and estimate a new residual value for the end of that lease. This increased area of judgment surrounding the estimation of the residual values at lease inception and the related income statement volatility would lead to inconsistencies among companies within the same industry for similar leases. In addition, the profit under these Type A leases would be front loaded and could often result in different total amounts of profit recognized over the term of the lease compared to both current operating lease accounting and the Type B accounting model. Given that the cash flows are typically the same each period under our leases, we believe that straight-line recognition under both current accounting and the Type B accounting model better reflects the substance and overall economics of our business model and more effectively meets the needs of our investors. We believe that moving away from straight-line income recognition and the increased income statement volatility would result in a lack of financial statement comparability and investor confusion.

If our aircraft and assets were classified based on the property classification criteria, as we recommend, most of our leases would be classified as Type B. Any potential loss to be recognized on our aircraft from a change in fair value would be assessed for impairment using Accounting Standards Codification 360 *Property, Plant and Equipment* (ASC 360), similar to current accounting. Lessors with Type B leases would factor both current and future cash flows over the remaining life of the asset when assessing assets for potential impairment. Lessors using the Type A model as a result of the non-property classification criteria would recognize a loss to write the asset down to its estimated fair value at lease commencement, which would be inconsistent with the guidance under ASC 360. Future cash flows over the remaining life of the asset and reporting units would not be factored into the calculation of the loss, even though the lessor may have the intention of leasing the asset to other customers in the future.

For the reasons noted above, we recommend that non-property assets for lessors use the same criteria as property, to determine whether a lease is classified as Type A or Type B.

Question 4: Classification of Leases

Do you agree that the principle on the lessee's expected consumption of the economic benefits embedded in the underlying asset should be applied using the requirements set out in paragraphs 842-10-25-5 through 25-8, which differ depending on whether the underlying asset is property? Why or why not? If not, what alternative approach would you propose and why?

We do not agree with the requirements set out in paragraphs 842-10-25-5 through 25-8. For the reasons previously noted in Questions 2 and 3, we propose that non-property assets for both lessors and lessees use the same criteria as property, to determine whether a lease is classified as Type A or Type B.

Question 7: Transition

Subparagraphs 842-10-65-1(b) through (h) and (k) through (y) state that a lessee and a lessor would recognize and measure leases at the beginning of the earliest period presented using either a modified retrospective approach or a full retrospective approach. Do you agree with those proposals? Why or why not? If not, what transition requirements do you propose and why? Are there any additional transition issues the Boards should consider? If yes, what are they and why?

We acknowledge the comparability benefits of both the modified and full retrospective approaches and appreciate the option in the ED of applying either approach. However, we do not support either approach as we believe the effort and cost of restating past periods under both approaches outweigh the benefits. As an alternative, we recommend a prospective approach involving a cumulative catch-up adjustment at the beginning of the year of adoption. Should the FASB agree with our previous recommendation to modify the lease classification criteria for non-property assets, we believe that most of our leases would be treated as Type B leases resulting in similar income statement recognition as compared to current accounting guidance. This consistency should mitigate the lack of comparability with prior periods. If the FASB decides to adopt the transition approach in the ED, we recommend that consideration be given to the potential impact of the SEC's five year reporting requirements when determining the final adoption date to provide an adequate amount of time for companies to implement the new lease standard.