

February 3, 2003

Letter of Comment No: 257 File Reference: 1102-001
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Director of Major Projects and Technical Activities File Reference 1102-001 Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Dear MP&T Director:

Delphi Corporation respectfully submits certain comments communicating our position on specific matters of the Comparisons of FASB Statement No. 123, Accounting for Stock-Based Compensation, and its related interpretations and IASB Proposed IFRS, Share-Based Payment, We participated in the joint FEI/IMA comment letter on this subject and support the views included in that letter.

Notwithstanding that the FASB is currently considering a move towards greater reliance on principal-based standards, we believe that stock-based compensation is an area where rule-based guidance is required to promote comparability and transparency in financial reporting. Accordingly, we believe the standard should mandate the use of a very specific option-pricing model for measurement purposes. Additional precise guidance on model assumptions would be extremely valuable in promoting comparability among companies. Currently, companies are able to legitimately apply a wide range of assumptions to stock option valuation, yielding dramatically different results. We also encourage consideration of allowing discounts to the option-pricing model with regard to employee stock options; such as lack of marketability, vesting requirements, and performance hurdles. Without these discounts the option-pricing model overstates option values.

We believe the units of service method contemplated by the IASB adds an unnecessary degree of complexity. which could cause different results for two organizations accounting for the same transaction. We therefore support the FAS 123 approach, which provides an objective and systematic approach to recording expense and is tied directly to the vesting period of the individual options. This approach provides for greater transparency and more comparable information from company to company.

On the issue of forfeitures, we agree with the IASB approach as it appropriately considers the effect of forfeitures on value of options. The FAS 123 approach, which does not consider forfeitures in the option-pricing model, tends to overstate the value of the options. We also support the IASB's proposal with respect to nonpublic entities and the issue of volatility given the effect on the basic financial statements. Although nonpublic companies do not participate in securities markets, their financial reporting is used in other circumstances such as lending and acquisition/divestiture decisions. To avoid unnecessary lack of comparability, public and nonpublic companies should be held to the same methods of accounting to the largest extent practicable. Also, we do not want to unnecessarily generate cases where companies must restate financial statements when completing an initial public offering. We believe option-pricing models can be appropriately adapted to the limited volatility of nonpublic company stock. We also agree with the IASB approach that excess tax benefits represent actual benefits realized by the company and should be recognized in the income statement. Additionally, the IASB approach appropriately treats both excess expenses and excess tax benefits on a consistent basis.

Although it is a lesser issue to us, we believe employee and nonemployee awards warrant different measurement dates. The value of goods and services received from nonemplyees is best measured on the date of performance. or commitment to performance. For employees, the amount of stock compensation is best measured on the date it is granted.

Please contact us if you desire further input or clarification at (248) 813-2605.

Sincerely.

John D. Sheehan

Chief Accounting Officer and Controller