January 31, 2011

VIA e-mail to: director@fasb.org

Financial Accounting Standards Board
Technical Director
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

File Reference: No. 1890-100 – Discussion Paper on Effective Dates and Transition Methods

FedEx Corporation has reviewed the Discussion Paper on Effective Dates and Transition issued in October 2010, and we appreciate the opportunity to comment on the proposal.

FedEx Corporation is a global company that provides customers and businesses worldwide with a broad portfolio of transportation, e-commerce and business services. Our annual revenues total approximately $37 billion, we have more than 285,000 team members, and we serve customers in more than 220 countries and territories. Our financial statements are prepared under U.S. GAAP, filed with the Securities and Exchange Commission and we are registered with the New York Stock Exchange.

We continue to support the FASB and IASB in their work on the joint proposals outlined in the Discussion Paper. However, we are concerned that the current timeline proposed by the FASB and IASB is too aggressive and does now allow preparers sufficient time to examine the accounting, business and operational impacts of each of these proposals, both individually and collectively in light of the other significant convergence projects that are in process. The convergence projects that we anticipate will have the greatest impact to us are Leases (Exposure Draft issued August 2010) and Financial Statement Presentation (Exposure Draft has not yet been issued). We address the issues presented in the Discussion Paper within the context of the challenges we expect to encounter when implementing those standards.

**Transition Methods**

When adopting new accounting standards, we believe the Boards should differentiate standards between those which are “core principle” changes and other less significant
changes. We believe core principle changes (such as those outlined in the Leases Exposure Draft and Financial Statement Presentation Discussion Paper) should be applied retrospectively. Proposals that fundamentally change the accounting in a particular area must be applied retrospectively to ensure that the information presented is consistently prepared and presented across all periods. While we recognize that this is a more onerous and cumbersome method for preparers, we believe this approach is in the best interests of preparers and users of financial statements.

In our opinion, all other changes should be applied on a prospective basis. In cases of prospective application, we believe enhanced disclosures describing the nature of the change and the impact on the current period financial statements will be more useful to users of the financial statements and recasting prior periods does not meet the cost-benefit test.

**Implementation Approach and Timetable**

Many of the proposed standards, particularly Leases and Financial Statement Presentation, will require companies to make radical changes to their current accounting systems and processes. We believe the sequential approach of adoption is necessary in order to accommodate the comprehensive system changes, extensive training, and redesign and development of control systems that will be required. Types of costs that companies can expect to incur in adopting the proposed standards include internal personnel costs (for matters such as training, process development and testing), costs to modify systems to capture the required information for accounting and reporting (which would vary depending on the type of systems employed by companies), third-party training and consulting (when a company lacks sufficient internal resources to carry out this function) and external accounting fees for financial statement audits. In addition, due to the extensive system charges, a sequential approach allows for proper prioritization of resources, particularly information technology resources, versus other existing internal initiatives. The following discussion provides additional background on our views on this issue within the context of two significant proposals: Leases and Financial Statement Presentation.

**Leases**

As noted in our comment letter submitted on the Exposure Draft of the Proposed Accounting Standards Update on Leases (Topic 840), we currently have a global inventory of approximately 14,000 leases, with total future commitments in excess of $14 billion. Our leases, which are substantially all operating leases, include leases for aircraft, facilities, land, retail locations and equipment in over 70 countries throughout the world.

Not unlike most U.S. corporations, the requirements in the lease exposure draft will require cataloging all historical, current and pending lease arrangements, and reviewing key provisions such as lease term and extensions, contingent payments and guarantees. This will be a considerable undertaking for us and we have invested more than $10
million in a new system to help us address this issue in anticipation of the new standard. Through a combination of employees and external consultants, we will need to perform a comprehensive inventory of our existing leases to extract all necessary data to properly account for the provisions outlined in the proposal. Further, we will need to develop internal processes to capture changes in renewal and purchase options and contingent rent terms.

The proposed requirement for revaluation of lease terms, contingent rent, and a different income statement treatment will require a substantial investment in information technology systems, particularly to modify our chart of accounts and re-map accounts to our financial statements. In addition, we will need to invest in both information technology hardware and software that will allow us to produce comparative financial data during the dual reporting period through the use of two general ledgers.

Given these complexities and the extent of the effort required, we propose that the standard on *Leases* be effective at least three years from the issuance of the final standard. We believe a significant amount of time and resources will be required and estimate it will cost us in excess of $20 million to implement this proposed standard.

*Financial Statement Presentation*

We understand that the *Financial Statement Presentation* project has been placed on hold indefinitely and we strongly support that decision. We do not believe the financial statement preparers or users of financial statements would benefit from such a fundamental change in financial reporting and we recommend that this project be terminated. The proposals outlined in the *Financial Statement Presentation (Discussion Paper)* would fundamentally redefine the way companies present their financial position, results of operations and cash flows. This would require companies to re-design existing systems to change the way financial data is collected, aggregated and presented including financial reporting, accounting, forecasting and operational systems. For example, our current financial systems do not support reporting cash flows under the direct method. We would need to make extensive changes to numerous systems that capture transaction level data, modify system interfaces and make significant process changes in order to capture the level of detail proposed by the Discussion Paper. Consistent with the proposed standard on leases, we will have to invest in information technology hardware and software to accommodate two systems during the dual reporting period. Additional investments will be required to update our XBRL tagging, testing of internal controls and training employees. Users of financial statements and investors will also be required to change the models and processes they currently use in order to interpret the information in the financial statements.

We anticipate the cost of implementation of such a standard will be substantial and be in excess of the multimillion-dollar cost of our Sarbanes-Oxley 404 implementation.
International Convergence

We believe FASB and IASB converged standards should have the same effective dates in order to further enhance the comparability of U.S. GAAP to IFRS and make it easier for investors and other users to make comparisons between U.S. and international entities. The FASB and IASB should consider economic, political and regulatory factors in determining the appropriate effective date of each converged standard. For example, many U.S. companies are continuing to recover from the global recession and are working to implement governmental mandates on financial and healthcare reform. These types of factors should be considered by the FASB when determining effective dates of standards.

In addition, we believe the FASB and IASB should conduct more field testing and receive more stakeholder and auditor consultation before issuing converged standards. This due process is critical to ensure the best possible standards are issued. The amount of time and effort needed for the IFRS conversion in Europe was greatly underestimated and lessons learned from the IFRS adoption in Europe should be considered when determining effective dates and transition methods of converged standards. For example, when IFRS was adopted in Europe, many companies failed to recognize the importance of properly configuring information systems to process and retrieve all of the information needed to prepare IFRS financial statements, which resulted in widespread manual preparation of financial statements and unforeseen additional costs. The timeline for adoption of any converged standard should give companies adequate time to plan for the transition, evaluate the accounting or systems issues, consider the long-term impact of the resulting decisions, devote time to implementing system and process changes, and properly train employees. As noted above, we believe this lead time is three to five years for core principle changes, particularly those requiring retrospective adoption.

We appreciate the opportunity to comment on these proposed rule changes and thank you for your consideration of our comments. If you have any questions, please contact Bert Nappier at 901-818-7068.

Sincerely,

[Signature]

John L. Merino
Corporate Vice President
and Principal Accounting Officer

[Signature]

Herbert C. Nappier
Staff Vice President and
Corporate Controller