December 15, 2010

Technical Director
Financial Accounting Standards Board
407 Merritt 7
Po Box 5116
Norwalk, CT 06856-5116

File Reference No. 1850-100

RE: Exposure Draft: Leases - (Topic 840)

The Goodyear Tire & Rubber Company ("we", "us", "our") appreciates the opportunity to provide comments to the boards on the above referenced exposure draft. We support the boards’ efforts to address the complexity and criticisms of the current accounting model for leases. The proposed changes outlined in the exposure draft are a significant step forward in addressing the issues that exist in the current lease model and we support the boards’ proposed model incorporating a right-of-use asset and liability for leased assets.

We support many of the positions taken by the boards in the exposure draft, however, we ask the boards to consider alternative approaches for certain areas in the accounting for leases which are outlined in this letter. As noted in our responses to many of the questions, we feel that in several areas, the standard requires significant administrative cost and effort to comply with the process of arriving at estimates, however, we ultimately do not believe the additional cost and effort required results in providing the users of the financial statements information that is substantially better than the information that would be reported using management’s best estimates and the existing guidance for contingent liabilities.

While the boards have asked for comments in several areas, we have chosen to provide comments related only to the questions that we believe are of significance to us. Listed below are our comments on those questions.

Should the boards have any questions regarding the comments provided in this letter, please contact me at (330) 796-0061.

Sincerely,

Thomas A. Connell
Vice President and Controller
The Goodyear Tire & Rubber Company
Question 3: Short-term leases

This exposure draft proposes that a lessee or a lessor may apply the following simplified requirements to short-term leases, defined in Appendix A as leases for which the maximum possible lease term, including options to renew or extend, is 12 months or less:

(a) At the date of inception of a lease, a lessee that has a short-term lease may elect on a lease-by-lease basis to measure, both at initial measurement and subsequently, (i) the liability to make lease payments at the undiscounted amount of the lease payments and (ii) the right-of-use asset at the undiscounted amount of lease payments plus initial direct costs. Such lessees would recognize lease payments in the income statement over the lease term (paragraph 64).

(b) At the date of inception of a lease, a lessor that has a short-term lease may elect on a lease-by-lease basis not to recognize assets and liabilities arising from a short-term lease in the statement of financial position, nor derecognize any portion of the underlying asset. Such lessors would continue to recognize the underlying asset in accordance with other Topics and would recognize lease payments in the income statement over the lease term (paragraph 65). (See also paragraphs BC41–BC46.)

Do you agree that a lessee or a lessor should account for short-term leases in this way? Why or why not? If not, what alternative approach would you propose and why?

We agree with the boards’ proposed approach to allow, at the election of the lessee or lessor, a simplified approach to account for short-term leases, however, we have reconsidered our prior position and believe that a right of use asset and a liability for lease payments for short-term leases should only be recorded to the extent that they are material to the financial statements. As currently proposed, the administrative burden to filers related to short-term leases, even those who elect to use the simplified approach, will be substantial and often will result in recording a right of use asset and a liability for lease payments that is not material to the overall financial statements. We believe that applying materiality to recording short-term leases is consistent with current practices for implementing and applying other accounting standards and is a reasonable compromise to the currently proposed approach and the alternative of providing a complete exemption for short-term leases.

Question 4

(a) Do you agree that a lease is defined appropriately? Why or why not? If not, what alternative definition would you propose and why?

We agree with the boards’ proposed definition that a contract is a lease only when that contract provides for the right of use of a specified asset and provides for the right to control the use of the underlying asset. Although title of the leased asset does not transfer, the right of use of the asset is conveyed to the lessee over the term of the lease, thereby justifying the recognition of the leased asset on the statement of financial position. We agree that a contract is a lease only when the underlying asset is specifically identified in the contract, however, we do not believe that the guidance provided in the standard is sufficient to assist with the determination of whether an asset is specifically identified. For example, Goodyear provides tires to certain customers for their vehicle fleets, however, we retain ownership of the tire. While the size, quantity and model of tire to be provided may be explicitly stated in the contract, the tires which are ultimately delivered to the customer are pulled from a pool of tires, any one of which may be delivered to the customer or another customer under a similar contract. Under the proposed standard, we believe
that arguments could be made to support treating the transaction both as a lease and as a rental. As the intent of the boards by issuing the new standard is to eliminate the confusion and inconsistency in accounting for leases, we believe providing additional guidance to preparers in this area is needed to achieve this goal.

(b) Do you agree with the criteria in paragraphs B9 and B10 for distinguishing a lease from a contract that represents a purchase or sale? Why or why not? If not, what alternative criteria would you propose and why?

We agree with the approach proposed by the boards which incorporates a review of all relevant facts and circumstances to distinguish between a lease and a purchase or sale. We concur that a contract which transfers the control of the use of an asset and substantially all of the risks and benefits of ownership of an asset to another party should be accounted for as a sale, as this is the true substance of such a transaction. We also agree that a contract with a bargain purchase option should be accounted for as a purchase and sale, as there is a remote likelihood that such an option would not be exercised.

(c) Do you think that the guidance in paragraphs B1–B4 for distinguishing leases from service contracts is sufficient? Why or why not? If not, what additional guidance do you think is necessary and why?

As noted in our response to question 4(a) above, we believe that additional guidance is needed overall to assist preparers in distinguishing when an asset is specifically identified in a contract, which would apply to contracts pertaining to services as well. We agree with the approach proposed by the boards which incorporates a review of all relevant facts and circumstances related to the lease and service components of a contract to distinguish a lease from a service contract. We agree that if the service component of a contract is distinct that it should be accounted for separately and should not be recorded as part of the right of use asset as such services do not provide long-term economic benefits that meet the definition of an asset. However, in cases where the service component might not be distinct, we believe that there are certain costs associated with a contract that should not be included in the measurement of the right of use asset, such as real estate taxes, insurance, maintenance and general executory costs. These costs should be expensed as incurred and the determination of whether the service component of a lease is distinct should not impact the accounting for these items.

Question 7: Purchase options
Do you agree that a lessee or a lessor should account for purchase options only when they are exercised? Why or why not? If not, how do you think that a lessee or a lessor should account for purchase options and why?

We do not agree with the board’s proposed treatment for purchase options for both lessees and lessor in measuring the right of use asset and liability. We believe that at the time that the lessee/lessor has determined that it is probable that the purchase option will be exercised, the purchase option should be included in the measurement of the right of use asset/lease receivable and lease obligation/liability. We believe the accounting for purchase options should be consistent with the accounting for lease extension options, as both options can be used interchangeably to provide the lessee options as the period of time they have the ability to control the leased asset. See our response to question 8 for further discussion on the determination of the treatment of lease extension options in determining the lease term.
Question 8: Lease term

Do you agree that a lessee or a lessor should determine the lease term as the longest possible term that is more likely than not to occur taking into account the effect of any options to extend or terminate the lease? Why or why not? If not, how do you propose that a lessee or a lessor should determine the lease term and why?

We agree with the boards’ proposed approach to determine the lease term to the extent that incorporates the use of management’s review all relevant facts and circumstances in an assessment of both qualitative and quantitative factors to determine the probability for each possible lease term. However, we do not agree with the proposed approach of using the longest possible term that is more likely than not to occur. Using the lease term that is more likely than not to occur results in recording a liability/asset for lease payments based on a lease term that will often not reflect what management has assessed as being the most probable lease term.

The ability at lease inception to establish reasonable estimates based on a range of probabilities for outcomes in the future is inherently limited, and many of the estimated factors are outside of the lessee’s control (i.e. tax rates, competitor decisions). The proposed approach incorporates multiple layers of management estimates that unnecessarily complicate the lease term determination and ultimately can result in an outcome which does not reflect what management believes will be the actual lease term.

We support using an approach to determining the lease term using reasonable and supportable qualitative and quantitative assumptions in an analysis of the factors outlined in paragraph B18 of the exposure draft. The lessee/lessor would only record an obligation to pay/right to receive rentals based upon the lease term that has been determined as probable using the lessee/lessor’s reasonable and supportable assumptions. Such an approach is consistent with the probable and reasonably/reliably estimated criteria required to record a contingent liability under Accounting Standards Codification Topic 450 – Contingencies (“ASC Topic 450”) or to recognize a provision under International Accounting Standard 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”). We believe such an approach will provide the users of the financial statements with the most useful information for each lessee/lessor, while keeping the administrative cost and effort to comply with the revised standard simple and at a manageable level for lessees and lessors with a substantial number of leases.

In addition, we support the proposed enhanced disclosure requirements related to a lessee/lessors’ right of use obligations/assets and the underlying assumptions used in determining the obligation/asset.

Question 9: Lease payments

Do you agree that contingent rentals and expected payments under term option penalties and residual value guarantees that are specified in the lease should be included in the measurement of assets and liabilities arising from a lease using an expected outcome technique? Why or why not? If not, how do you propose that a lessee or a lessor should account for contingent rentals and expected payments under term option penalties and residual value guarantees and why?

We support a qualitative approach to assessing the obligation to pay contingent rentals which requires contingent rentals, residual value guarantees and other payments and penalties under lease agreements (collectively “payments”) that are not within the control of the lessee to be
included in the calculation of the lease obligation. If a lessee has the ability to control the contingent payment, it should not be included in the lease obligation.

If the lessee/lessor has determined that the payments are probable under the recognition criteria outlined in ASC 450, ASC 605 or IAS 37, the amount recorded as an obligation/asset for leases should be based on the lessee/lessors estimate of what amount is probable. We also support additional footnote disclosure requirements for lessees and lessor to describe their policy for recording obligations to pay/right to receive contingent rentals as they become probable and can be reasonably estimated.

We do not support using a quantitative expected outcome approach using the probability-weighted average of multiple possible outcomes. Applying these calculations across a significant number of leases containing such options would require significant time and administrative cost. The proposed approach unnecessarily complicates the calculation of the lease obligation and incorporates a secondary layer of management estimates (assigning a probability to each possible outcome scenario) on top of the establishment of the assumptions and estimates that are used to determine each reasonably possible scenario. We do not believe the use of estimates on top of estimates results in recording a right of use asset and lease obligation that is any more precise or accurate than what would be recorded using the existing guidance for contingent liabilities. Simply put, the boards are trying to create precision and accuracy where inherently the amounts recorded cannot be precise. The administrative cost and effort put forth by lessees and lessors under the proposed approach will not result in providing the users of the financial statements information that is substantially better than what would be recorded under the existing guidance for contingent liabilities and contingent rentals.

Question 10: Reassessment
Do you agree that lessees and lessors should remeasure assets and liabilities arising under a lease when changes in facts or circumstances indicate that there is a significant change in the liability to make lease payments or in the right to receive lease payments arising from changes in the lease term or contingent payments (including expected payments under term option penalties and residual value guarantees) since the previous reporting period? Why or why not? If not, what other basis would you propose for reassessment and why?

We agree with the boards' proposal to require the reassessment of the right of use asset and liability arising under a lease based on a triggering event. However, as a triggering event may only impact one lease or a small number of a lessees' or lessors' leases, we believe that in conjunction with the use of a triggering event approach, an annual review and reassessment of leases should occur. As significant changes in any individual lease may not be material, in the aggregate, the collective impact of changes may indeed be significant. Annually, or more frequently if there is a triggering event, the lessee or lessor should reevaluate the terms of their leases in accordance with the provisions of ASC 450, ASC 605 or IAS 37 and record any resulting adjustments to the carrying value of the right-of-use asset/liability and the obligation to pay/receive rents in the period.

Question 12: Statement of financial position
(a) Do you agree that a lessee should present liabilities to make lease payments separately from other financial liabilities and should present right-of-use assets as if they were tangible assets within property, plant and equipment, but separately from assets that the lessee does not lease (paragraphs 25 and BC143–BC145)? Why or why not? If not, do you think that a lessee should
disclose this information in the notes instead? What alternative presentation do you propose and why?

We agree with the boards’ proposed presentation of the right-of-use asset on the face of the statement of financial position but separately from owned, tangible assets. While the right-of-use asset itself is not the same as owning the actual asset, we believe that presenting the right-of-use asset in conjunction with owned assets provides the most information to the user of the financial statements on the nature of the right of use asset and the use of the underlying asset in a company’s operations. Presentation of the right-of-use asset as an intangible asset, while arguably more correct based on the conceptual definition of the asset, provides limited information to the user of the financial statements regarding the nature of the underlying leased asset.

We also agree that the liability to make lease payments should also be presented on the face of the financial statements separately from other financial liabilities. Presenting the liability to make lease payments separately from other debt provides the users of the financial statements more complete information regarding the liabilities associated with right of use assets.

We believe additional information related to the detail and composition of the right-of-use asset should be included in the notes to the financial statements, similar to the current disclosure options for property, plant and equipment.

(d) Do you agree that lessors should distinguish assets and liabilities that arise under a sublease in the statement of financial position (paragraphs 43, 60, BC150 and BC156)? Why or why not? If not, do you think that an intermediate lessor should disclose this information in the notes instead?

We believe that an intermediate lessor should include in the financial statements information related to the right of use asset and liability to make lease payments arising from a head lease separately from assets and liabilities arising from a subsequent sublease of the right of use asset. However, we believe that only the net sublease asset or liability should be presented in the statement of financial position, with supporting disclosure and presentation of the detail and composition of the net asset or liability in the notes. We believe that this presentation is simpler for the users of the financial statements and prevents the statement of financial position from being cluttered and confusing.

**Question 13: Income statement**

Do you think that lessees and lessors should present lease income and lease expense separately from other income and expense in the income statement (paragraphs 26, 44, 61, 62, BC146, BC151, BC152, BC157 and BC158)? Why or why not? If not, do you think that a lessee should disclose that information in the notes instead? Why or why not?

We believe that lessees and lessors who are not in the business of leasing should have the option of presenting information related to lease expenses in the statement of operations or the footnotes to the financial statements, as the detail of lease activities is generally not material to the results of such an entity’s operations, and distracts the user from the entity’s results from its primary business. We believe lessors whose primary line of business is leasing should provide lease income and expenses on the face of the income statement as this provides the user of the financial statements significant information regarding the entity’s primary line of business.
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Question 14: Statement of cash flows
Do you think that cash flows arising from leases should be presented in the statement of cash flows separately from other cash flows (paragraphs 27, 43, 63, BC147, BC153 and BC159)? Why or why not? If not, do you think that a lessee or a lessor should disclose this information in the notes instead? Why or why not?

We agree with the boards’ proposal that lessees and lessor should present cash flows arising from leases separately from other cash flows. As we support the presentation of the right of use asset and liability separately from other tangible assets and financial liabilities, we believe that changes in these assets and liabilities should also be presented separately in the statement of cash flows in order to clearly present each component of the net change in cash and cash equivalents for the period.

However, we disagree with the boards that the interest component of the lease obligation should be recorded by lessees as financing activities. We believe the interest component should be classified within the statement of cash flows the same as other interest paid by the lessee, in operating activities. We believe that there is no inherent difference to the interest component of a lease and interest paid on debt that would result in differing presentation of the two transactions within the statement of cash flows.

Question 15
Do you agree that lessees and lessors should disclose quantitative and qualitative information that:

(a) identifies and explains the amounts recognized in the financial statements arising from leases; and

(b) describes how leases may affect the amount, timing and uncertainty of the entity’s future cash flows? (paragraphs 70-86 and BC168-BC183)? Why or why not? If not, how would you amend the objectives and why?

We agree that disclosure should be made of material quantitative and qualitative information related to the nature of leases and subleases, and significant assumptions and estimates used in determining amounts recorded in the financial statements related to such leases. Disclosures related to the amount, timing and uncertainty of an entity’s cash flows should be included in the notes to the financial statements.

We also agree that these disclosures should be aggregated, as appropriate, based on the nature of the leases, to provide the user of the financial statements with the appropriate level of detail to understand the nature of an entity’s leasing arrangements.

We believe however, that the above disclosures related to leases should be required only annually for entities whose primary business is not leasing, with updates to such disclosures required on an interim basis only if facts and circumstances indicate a significant change in the liability to make or right to receive lease payments. This approach is consistent with current disclosure requirements for lease obligations and is a practical approach to balance the significant administrative effort needed to provide such disclosures with the needs of users of the financial statements.
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Question 16
(a) This exposure draft proposes that lessees and lessors should recognize and measure all outstanding leases as of the date of initial application using a simplified retrospective approach (paragraphs 88–96 and BC186–BC199). Are these proposals appropriate? Why or why not? If not, what transitional requirements do you propose and why?

We support the boards’ proposed simplified retrospective approach to measure outstanding leases as of the date of initial application of a new lease standard. In order to provide comparable and meaningful financial statements, we believe any new lease standard must be applied retrospectively. The simplified approach provides some administrative relief to companies during the initial application of the new standard.

(b) Do you think full retrospective application of lease accounting requirements should be permitted? Why or why not?

While many lessees and lessor may elect to use the simplified retrospective approach, we believe that lessees and lessor should have the option to apply any new lease standard using full retrospective application if they believe that full retrospective application will provide the users of their financial statements more meaningful information than using the simplified approach.

(c) Are there any additional transitional issues the boards need to consider? If yes, which ones and why?

An effective date for the proposed standard has not yet been established. We ask that in establishing an effective date, the boards allow sufficient time for lessees or lessor with large numbers of leases to review their leases and apply the new standard. Even with the proposed simplified retrospective application approach, implementation of the new standard is significant and will be a time consuming effort that cannot be completed with limited notice.

Goodyear enters into thousands of leases worldwide. These leases are entered into by various subsidiaries in multiple countries, and the associated accounting for such leases is highly decentralized. For a large multi-national company such as Goodyear to review every lease worldwide and implement this standard, we believe that a period of at least three years between the issuance and effective date is necessary to implement the standard.

Question 17

Paragraphs BC200–BC205 set out the boards’ assessment of the costs and benefits of the proposed requirements. Do you agree with the boards’ assessment that the benefits of the proposals would outweigh the costs? Why or why not?

While we agree with the boards that changes must be made in the accounting model for leases, we do not believe that the boards have sufficiently considered the full range of costs that will be incurred by preparer’s to implement this standard. Multinational companies and companies with decentralized accounting functions will have unique challenges in identifying their leases, as well as implementing consistent processes to account for them. Implementing software and systems to manage a large portfolio of leases will be a substantial up-front cost, and there will be significant recurring costs such as increased audit fees and increased staffing in several areas including:
technical systems support; administration and accounting for leases; Sarbanes-Oxley compliance; and tax compliance issues.

We understand that the board is balancing the cost considerations of the proposed standard with the benefit that users of the financial statements will receive from having better information related to leases to use in their evaluations of companies. We also understand that improving the information provided to users related to leases will not be without additional costs. However, we feel that the boards’ current proposed accounting for leases in several areas, such as determining the lease term and contingent rentals are administratively overly burdensome and complex and results in a significant amount of additional cost and time for preparers, but in the end results in the use of estimates by management that are no better than those estimates currently being used to record liabilities, contingent or otherwise, and consequently fails to result in better information for the users of the financial statements that justifies the additional costs to preparers.

We ask the boards to reevaluate their proposals in these areas to find a better balance between the administrative time, cost and effort that will be required by preparers to comply with the standard and the benefits provided to users of the financial statements.

Question 19

Should any of the proposed guidance be different for non-public entities (private companies and not-for-profit organizations)? If so, which requirement(s) and why?

We believe that any guidance and standards issued by the FASB and IASB should be adopted by all entities. Through the convergence project, the FASB and IASB have been working to establish one set of comprehensive accounting standards. Issuing separate guidance and standards for certain entities contradicts this goal and increases the burden on financial statement users to be knowledgeable of multiple accounting rules for recording transactions. Creating two tiers of reporting requirements ultimately creates confusion for users of the financial statements.