December 15, 2010

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

Re: File Reference No. 1850-100

We appreciate the opportunity to share our views on the exposure draft of the Proposed Accounting Standards Update, "Leases (Topic 840)" (the ED), issued jointly by the Financial Accounting Standards Board (FASB) and the International Financial Accounting Standards Board (IASB) (collectively, the Boards).

Liberty Global, Inc. (LGI) is a leading international provider of video, voice and broadband internet services. These services are provided through our consolidated operating subsidiaries in 14 countries, primarily in Europe, Chile and Australia. As a lessee, we have numerous leasing arrangements on a consolidated basis, many of which are currently accounted for as operating leases. Some of our more complex lease arrangements involve both service and lease components as well as contingent rental and lease renewal options.

We agree that the existing lease accounting rules are overly complex and need to be updated. The use of "bright line" tests in determining lease classification often times result in different accounting for leasing arrangements that may be economically similar. To eliminate this inconsistency, the ED proposes a "right-of-use" approach that essentially requires the recognition in the balance sheet of an asset representing the company's right to use the leased asset and a liability representing its obligation to pay rentals for all contracts which meet the current definition of a lease. This approach would eliminate the issue of different accounting models for lease contracts that may be economically similar. We generally agree with the basic approach provided in the ED, but, believe that certain provisions of the FASB and IASB EDs are unnecessarily different. Further, we believe that the costs of certain provisions would far outweigh any benefits.

**Definition of Lease**

The definition of a lease in the ED follows the same basic definition as currently provided in Topic 840. We believe the definition of a lease currently used in generally accepted accounting principles in the United States (U.S. GAAP) and proposed in the ED results in certain transactions that are economically very similar being accounted for differently. Specifically, certain capacity agreements do not meet the definition of a lease because they are not dependent on the use of specific property. For example, consider certain fiber capacity agreements, satellite transponder agreements, duct use agreements, and others, whereby practice varies and companies must carefully dissect the specific rights under the contract to determine whether or not the agreement is a lease. Slight changes in the form of the contract, which do not substantively impact the rights or output that a user may receive, can lead to an agreement being considered a service contract rather than a lease, and under the proposed ED, the difference between service contract accounting and lease accounting will become even more prominent since operating leases will no longer exist. We believe the use of different accounting models for transactions that are economically similar (i.e. where the same or similar output is received) is confusing to the users of the financial statements. Overall, we think the definition of a lease should include all instances where the primary substance of an agreement conveys the right to use underlying assets, regardless of whether the right-to-use is satisfied with specified or non-specified assets.

Further, we note that the ED will result in a continued difference with IFRS in that the right to use an intangible can be a lease under IFRS, but would continue to be scoped out of lease accounting for U.S. GAAP. The FASB acknowledges this issue in paragraph BC 36 of the ED, and states that this issue will be considered separately. Our view is that if convergence is one of the objectives of the ED, then the ED should address the treatment of intangible assets. We would generally agree with the language in paragraph BC 36 in that we cannot conceptually determine why right-of-use intangible assets would be treated differently than right-of-use tangible assets, particularly when the FASB is proposing a "right-of-use" model. We strongly believe that the ED should include in its scope the accounting for right-of-use intangible assets.
Judgment and Complexity in Measurement Approach

The proposed measurement approach requires management to make a number of highly judgmental determinations at the inception of the lease regarding expected lease term and total expected payments in order to calculate the initial liability to make lease payments and related right-of-use asset. Under the provisions of the ED, management is required to continually reassess those determinations for each existing lease contract whenever facts and circumstances change and record any necessary adjustments in the current period financial statements.

While we think the rationale supporting the use of this measurement approach is reasonably sound, we would recommend retaining the current rules governing the initial and subsequent measurement of the leased asset and liability, whereby (1) contingent rentals are recognized in earnings as they occur rather than included in the initial measurement of the leased asset and liability and (2) subsequent re-measurements related to lease term are triggered only by post-inception changes to the lease provisions (including, for example, the exercise of a renewal option) and are accounted for on a prospective basis.

With regard to contingent rentals, as stated above we believe the best accounting would be to recognize contingent rentals only when the contingency is resolved. However, if the FASB believes an estimate approach is warranted, we have concerns with the proposed method for determining the estimate. The ED requires the use of a probability-weighted expected outcome technique. Under this proposal, the estimate of contingent rentals will almost never be correct since the various potential outcomes are weighted, resulting in an estimate that is not likely to match any actual scenario. We believe a “best estimate” approach is preferable, because it will lead to an accounting result that reflects the most likely scenario. In addition to being more operational from a preparer’s perspective, we believe this approach would be much more understandable to financial statement users.

With regard to the lease term determination, we do not believe it is appropriate to estimate a lease term assuming the longest possible term that is more-likely-than-not to occur, because this assessment will include items such as ordinary lease extension provisions, which an entity may or may not choose to exercise. In the case of renewal options or other similar provisions, we don’t believe that a liability should be recorded until an obligating event occurs. Further, we don’t believe a provision in a lease such as a renewal option creates an obligating event unless the renewal is considered reasonably certain. The definition of “lease term” currently existing in U.S. GAAP is adequate to address situations where circumstances (e.g. price, renewal market provisions, renewal at the option of the lessor, or the existence of economic penalties in the event of non-renewal) suggest that a renewal is reasonably certain and therefore that an obligating event exists from a substantive perspective. The lower “more-likely-than-not” threshold proposed by the ED would create liabilities that we do not believe are substantiated by the conceptual framework of U.S. GAAP, and is inconsistent with other U.S. GAAP standards that require recognition of liabilities, such as the accounting for loss contingencies. Overall, we believe the definition of lease term currently used in U.S. GAAP would operationally and theoretically work within the framework of the ED and would also result in accounting that better reflects the underlying economic substance lease transactions.

Under the proposed approach for estimating the present value of lease payments and associated right-of-use asset, we doubt that companies will have the current resources to effectively develop and substantiate such highly subjective assumptions about uncertain future events and conditions at the inception of every lease and be in a position to revisit these assumptions and calculations every reporting period for every lease. As we have thousands of leases, we believe that these assumptions will be very difficult and costly (i) for our company to determine and periodically reassess, and (ii) for our independent accountants to audit. Also, extensive training and a robust system of internal controls would need to be designed and maintained around these processes, which will also be very costly. We believe our proposal to recognize all leases in the balance sheet using the measurement rules in current US GAAP responds to the needs of investors for a consistent accounting model, while making the implementation of these rules more operational and less costly for preparers.

Financial Statement Presentation

We do not see the benefit of separating on the face of the balance sheet the right-of-use assets from the other tangible assets, and we also note that this requirement seems inconsistent with the fact that the related amortization of the right-of-use asset need only be shown separately in the notes. We would recommend that the new standard allow these assets to be combined in one line on the face of the balance sheet, with the individual breakout of these balances to be provided in the notes.

The ED states that all cash payments for leases should be classified as financing activities in the statement of cash flows and presented separately from other financing cash flows. As with any financing, we believe the cash flows include both the payment of principal and the payment of interest, and we do not understand why the proposals in the ED treat interest on
lease obligations differently than interest on other financing obligations, such as debt. In our view, the interest portion of lease payments should be reflected as an operating activity, consistent with the current requirements of US GAAP. In any event, if the final lease accounting guidance provides for interest payments on leases to be classified as a financing activity, we believe that the current cash flow statement guidance in Topic 230 should be modified to also classify interest payments on debt as a financing activity.

We appreciate the opportunity to provide you with our views on the ED. If you have any questions regarding our comments, please contact me at 303-220-6603, Leo Stegman, Vice President of Accounting and Reporting, Deputy Controller at 303-220-6690, or Brian Zook, Vice President of Accounting Policy at 303-220-6632.

Sincerely,

Bernard Dvorak
Senior Vice President, Co-Chief Financial Officer

cc Leo Stegman, Vice President, Accounting and Reporting, Deputy Controller
Brian Zook, Vice President, Accounting Policy
Jason Waldron, Partner, KPMG