Technical Director – File Reference No. 2015-340
Financial Accounting Standards Board
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File Reference: Comments on Exposure Draft, Government Assistance (832)

Ford Motor Company ("Ford"), is a global automotive industry leader based in Dearborn, Michigan. We manufacture or distribute automobiles across six continents. We have negotiated with several governments and as a result, have received a variety of benefits that have taken various forms. We appreciate the opportunity to comment on the Exposure Draft "Government Assistance."

Negotiating favorable terms with governments and municipalities is no different from negotiating favorable terms with customers and suppliers. Many government assistance programs, or "incentives," are designed to encourage capital investment or to provide additional employment opportunities in a particular jurisdiction. In its January 2015 report, "Contribution of the Automotive Industry to the Economies of All Fifty States and the United States," the Center for Automotive Research notes that every vehicle manufacturer job creates almost seven other jobs in industries across the economy and that the industry contributes more than $200 billion to federal and state governments. Other incentives are designed to promote the research and investment in new technologies. Negotiating government incentives in exchange for a significant commitment by Ford to invest and operate in their jurisdiction or to engage in research that results in innovative technologies (i.e. biofuels, electric vehicles, etc.), is part of our normal business operations.

We support providing transparent information to users of our financial statements. We also support the Board's objective: to improve financial reporting by providing disclosure requirements that increase transparency about government assistance arrangements, including (1) the types of arrangements, (2) the accounting for government assistance, and (3) their effect on an entity's financial statements. However, we are concerned that compliance with certain disclosure requirements may result in unintended policy consequences such that government entities may reconsider assistance programs. We have also concluded that compliance with the proposed guidance will not achieve the stated objective and is impracticable to implement: the scope is too broad and ambiguous; it requires disclosure of confidential and competitive information; and the cost to implement will exceed the benefit.

The proposed scope is too broad and ambiguous.

- The proposed scope applies to entities that have entered into legally enforceable agreements with a government. Paragraph 832-10-15-6 indicates that the board intends for the government entity to include domestic, foreign, local, regional, and national governments, including related governmental entities (for example, departments, independent agencies, government-sponsored entities, boards, commissions, and other component units), and intergovernmental organizations. In order to comply with the proposed disclosure requirements, a preparer would first need a comprehensive understanding of the political entanglements to understand which arrangements with which entities would be in scope.
- The proposed guidance excludes transactions in which the government is "legally required to provide a nondiscretionary level of assistance to an entity simply because the entity meets the applicable eligibility requirements that are broadly available without specific agreement between the entity and the government." Many government assistance programs must be appropriated and the terms of the arrangement must be expressed in a written contract. A preparer could decide that because the funds need to be appropriated that they are discretionary (i.e., the government could choose not to appropriate); on the other hand, once they are appropriated, the funds could be considered nondiscretionary. Government assistance programs can also be designed so that they appear to be broadly available — to companies in a certain jurisdiction, a certain industry, or a certain undertaking. However, it may be that only two or three companies can avail themselves of the benefit. The terms "legally required," "nondiscretionary," and "broadly available" in this context will require research and significant interpretation which will cause diversity in practice to continue.

- The proposed guidance includes transactions addressed in ASC 740 when tax assistance meets the description of government assistance regardless of whether the assistance is related to income taxes, sales taxes, property taxes, or any other form of tax assistance. Entities often enter into an advanced pricing arrangement with a government for goods sold to and from that jurisdiction. It is a legally enforceable agreement between the entity and the government that could perhaps include a benefit to the entity that may not be broadly available to others. A preparer will find it difficult to determine whether the arrangement includes an embedded form of government assistance and whether the transfer pricing arrangement results in a discount relative to another jurisdiction or another entity. The disclosures include competitive and confidential information.

- Government assistance is often provided to protect employment for employees in a local community or to develop new, cutting-edge technology. The exposure draft requires disclosures of information which would be confidential and proprietary and may compromise an entity's competitive advantage. At a minimum, we urge the Board to allow the use of judgment when considering the disclosure of information that could be proprietary and confidential.

- Several of our present government assistance agreements include provisions whereby Ford is contractually restricted by the counterparty from disclosing the details of the government assistance programs.

- It is unclear whether the proposed disclosures include forward looking projections in terms of future government assistance to be received (e.g. requirements have not been met, but are expected to be in the future) or whether the disclosures are intended only for what has been received in the applicable reporting year. Forward looking disclosures should not be required in the notes to the financial statements as they would fail to receive Safe Harbor treatment. The cost to implement will exceed any benefit to the users of the financial statements.

- We support efforts to provide transparent information to users of financial statements but urge the Board to reconsider the disclosure requirements in paragraphs 832-10-50-3 and 4 which require a significant amount of qualitative and quantitative detail at a disaggregated line item level, within the income statement and balance sheet for all forms of government assistance. Given the variety of government assistance programs and the global jurisdictions in which Ford operates, the consolidation of such information would require a considerable amount of time, effort and resources. In order to disclose at this disaggregated level, a costly system or reporting mechanism would also need to be developed and controls and processes would need to be implemented to ensure that amounts are tracked and separated from other government assistance transactions that are considered "broadly available" to all entities.
The quantitative disclosure requirement is excessive. Too much detail will likely obfuscate the most important information and would not provide value to the user. We request that the Board narrow its focus on the financial impacts that would be most useful (i.e., cash and recapture or "clawback" amounts).

*In order to achieve the Board's objective, we make the following recommendations:*

- We recommend that the Board consider whether there is an important distinction that should be made between government "assistance" and government "incentive." For example, an entity receiving an economic benefit in the form of a "bailout" might be receiving a form of government assistance; an entity receiving an economic benefit in exchange for its investment or commitment to operations might be considered a form of government incentive. The proposed disclosures may be more appropriate in the case of the former rather than the latter.

- We note that in its explanation for why the FASB is issuing the proposed update, the exposure draft states: "Today, diversity exists in recognition, measurement, and disclosure of government assistance arrangements because no explicit generally accepted accounting principles exist..." The proposed update omits any specific guidance for the recognition and measurement of benefits received from government entities. With the goal of providing decision-useful information, we encourage the Board to consider the recognition and measurement guidance in IAS 20 which is broadly used by preparers today. Consistency in applying the recognition and measurement principles of IAS 20 will better accomplish the objectives of the proposed standard and at a much reduced cost to preparers.

- We disclose in our periodic filings with the Securities and Exchange Commission a risk factor for adverse effects on results from a decrease in or cessation or clawback of government incentives. We also disclose and/or recognize, as appropriate, the financial implications of a clawback feature related to government incentives received when the amount is either reasonably possible or probable as required in ASC 450 - Contingencies. We note that it might be helpful if the final guidance makes reference to these disclosure requirements.

We appreciate the Board's consideration of our views and would be happy to discuss any of the views regarding the proposed guidance.

Sincerely,

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