December 15, 2010

Technical Director
File Reference No. 1850-100
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116
director@fasb.org

Re: FASB Exposure Draft – LEASES (TOPIC 840)

Dear Technical Director:

BNSF Railway Company (BNSF) operates one of the nation's largest rail networks, with approximately 32,000 route miles over which it operates through 28 states across the western United States as well as in two Canadian provinces. BNSF respects the Board's efforts to improve transparency around lease accounting and to eliminate "bright line" rules which have dominated lease accounting for many years. While BNSF is generally supportive of the FASB's efforts to reflect leases on the balance sheet, BNSF is concerned about certain aspects of the Exposure Draft and therefore submits the following comments.

1. Short-Term Leases

While we applaud the FASB's attempt to create a "shortcut" regarding short-term leases, we would request that the FASB provide more clarification around what constitutes a lease, especially in the context of very short term arrangements which may not have a stated term or expiration date. Very short-term structures are common to the railroad industry and may or may not be considered leases under the scope of the proposed guidance. The following are two such examples in the rail industry that are currently accounted for similar to operating leases: (i) the railroad industry frequently enters into very short-term arrangements structured on a per-day or per-use basis. These types of very shortterm arrangements are meant to give the industry flexibility in light of a dynamic business volume environment. We would not consider these arrangements to be leases, but rather executory contracts. (ii) The railroad industry frequently makes use of infrastructure and equipment assets owned by other railroads or customers for short periods that can be measured in trips, miles, hours or days. These types of arrangements are essential to facilitate the contiguous network operations of the rail industry. The short-term exception provided for in the Exposure Draft is not overly helpful related to these very short-term arrangements because there would be no practicable way to reliably determine a balance sheet liability as they are executory in nature and have durations that cannot be reliably predicted. Without further clarification on this issue we believe that significant diversity in practice among lessees and between the lessee and the lessor will result relative to both the classification and valuation of transactions with similar terms and conditions.

We believe that the final guidance as issued should contain a more specific definition or examples about what types of arrangements would or would not be considered leases. Arrangements such as those described above should be specifically exempted as they are not leases. In addition, we recommend that lessees not be required to recognize assets and liabilities for qualifying short term leases in order to be consistent with proposed lessor accounting for qualifying short-term leases.

2. Lease Obligation Measurement

We believe that options to extend the lease term do not meet the definition of a liability of the lessee since they may not be a probable present obligation arising out of past events. From the standpoint of the lessor, we believe that renewal option guidance in the Exposure Draft may not meet the definition of an asset to the lessor (i.e., a future benefit obtained or controlled as a result of past events). We also

believe that the estimation process necessary to evaluate whether an option will more likely than not be exercised will be a predominantly subjective exercise for long-term leases. Therefore, we believe that the lessee and the lessor should continue to assess the most likely term of the lease considering the non-cancelable period in line with existing definitions in ASC 840.

3. Remeasurement/Reassessment Proposal

We have concerns that the continual reassessment language in the Exposure Draft Paragraph 17 which states "if facts or circumstances indicate that there would be a significant change in the liability since the previous reporting period". Similar language appears in Paragraph 39 with respect to lessors. We believe the reassessment language is too broad and subject to misinterpretations and therefore would not significantly improve financial reporting. We believe that the reassessment should be considered only when there is a "triggering" event, such as exercising an extension option. Continual reassessments of potentially thousands of contracts will be excessively onerous and costly. We believe that a triggering event assessment process that is conceptually similar to that specified in the accounting guidance on long-lived asset impairments (ASC 360) would be more practicable to implement as companies already have the processes in place to complete such an assessment.

4. Lessor Matters

The railroad industry frequently finds itself in possession of excess non-operating assets such as excess land or equipment. In order to derive value from these excess assets, railroad companies frequently enter into leases and/or subleases for these assets, making the railroad company a lessor or an intermediate lessor. These leases are typically incidental and individually immaterial. We believe the lessor provisions of the Exposure Draft should not apply to companies whose core business activity is not leasing or where leases are, in the aggregate, immaterial to the entity. We believe that for a company whose core competencies are not those of a lessor, the requirements of the proposed guidance would require such non-financial companies to incur significant costs in the form of new systems and additional personnel to administer the accounting for such incidental, non-core activities.

5. Transition

While we understand that the retrospective approach has become the usual method of transition that the FASB and IASB utilize, we believe that this new standard is so extensive and difficult to implement that it should only be applied to leasing transactions entered into subsequent to the effective date. Even though the Board will likely provide an ample timetable for adoption, the simplified retrospective approach as it applies to this particular Exposure Draft, effectively makes the guidance applicable to near-term as these periods would have to be restated. Given that the final guidance has yet to be issued and that the major ERP-system providers have not yet developed an IT solution, we believe that the simplified retrospective approach to transition would result in an extraordinary amount of cost and effort on the part of all reporting companies without garnering commensurate benefits.

If exemption of pre-existing transactions is a notion that the Board strongly disagrees with, we believe that any new standard should be, at the very least, applied only prospectively. We understand that either approach would cause some difficulty with prior year comparisons; however, we would suggest that the operating lease footnote remain intact which would give financial statement users sufficient information to create reasonable comparisons with prior years.

In summary, BNSF is generally supportive of the FASB's efforts related to this Exposure Draft. However we believe that certain aspects of the Exposure Draft especially those related to scope, reassessment and transition will result in significant administrative burdens and costs for companies primarily in the form of additional personnel and significant information technology expenditures to perform the initial implementation and subsequent continuous monitoring without providing commensurate benefits to financial statement users.

Thank you for the opportunity to comment on this very important issue. If you have any questions on BNSF's comments, please feel free to contact me at (817) 352-4830.

Sincerely,

Julie Piggott

Vice President Planning & Studies and Controller

BNSF Railway Company