Ryder
Logistics & Transportation Solutions Worldwide

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Technical Director – File Reference No. 2015-240
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Exposure Draft – Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date

Ryder System, Inc. (Ryder) is pleased to respond to your request for comment on the Financial Accounting Standards Board Exposure Draft – Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. We appreciate the FASB's decision to address the potential deferral of the effective date, especially in light of the magnitude of the effort involved in understanding the impact of the standard, developing processes and internal controls, selecting IT systems and implementing solutions across multiple segments, product/service offerings, regions, industries and types of contracts.

Ryder's business is divided into three business segments, the largest of which provides long-term full service leasing, commercial rental, contract maintenance, and contract-related maintenance of trucks, tractors and trailers to customers principally in the United States, Canada and the United Kingdom. Ryder has over 125,000 vehicles under full service lease agreements with over 13,000 customers. We expect the proposed lease accounting standard (Topic 842) to impact the revenue associated with our full service lease contracts. This puts us in a unique position to understand and appreciate the complexity of applying Topic 606 to our leases, despite the uncertainty of the final impact of Topic 842. In addition, our Supply Chain business segment operates distinct contracts with over 700 customers.

In light of the effort required to implement new systems and processes to account for transactions under this standard as well as the interplay of this standard with Topic 842, we believe the effective date of Update 2014-09 should be deferred for two years at a minimum. We also believe that the effective date of this standard should be aligned with the effective date of Topic 842. We would like clarification as to whether leasing companies should begin applying the revenue recognition model under Topic 606 to the nonlease components in lease contracts with customers as of the effective date of Topic 606, or whether it is more appropriate to adopt upon the effective date of the pending lease guidance once it is issued. Our comments on the Exposure Draft are detailed in Appendix A to this letter.

We appreciate the opportunity and invitation to comment on this Exposure Draft and hope these comments are helpful. We are happy to provide further explanations and clarification if required. If you would like any further information on the comments made above or in the Appendix, please contact me at (305) 500-4290 or Jay Anderson, Director, Corporate Accounting at (305) 500-3457.

Sincerely,

Cristina Gallo-Aquino

Cristina A. Gallo-Aquino
Vice President, Controller and Chief Accounting Officer
Ryder System, Inc.

Appendix A

Ryder's Detailed Responses to the Exposure Draft Questions:

Question 1: Should the effective date of the guidance in Update 2014-09 be deferred for one year for public business entities, certain not-for-profit entities, and certain employee benefit plans? Please explain why.

We believe the effective date of the guidance in Update 2014-09 should be deferred for two years due to:

- Effort required
- Systems / processes needed
- Pending Lease Standard
- Pending guidance clarifying performance obligations

We agree that there is a significant amount of effort required to evaluate the impact of the standard, and the impacts to systems, processes and controls. We have begun the process of identifying changes in revenue recognition that will be required across the various product offerings within each of our three business segments, which has proved to be extremely time consuming due to the size and complexity of our business. This process involves compiling a comprehensive mapping of contract types, service and product offerings, and contract attributes for each segment and assessing the proper revenue recognition model for each contract type using the five steps required by ASU 2014-09.

Our Fleet Management Solutions (FMS) segment provides full service leasing, commercial rental, contract maintenance, contract-related maintenance, used vehicle sales, fuel and fuel compliance services. We identified over 20 separate performance obligations within our standard full service lease contract alone. Many of our contracts include amendments that add additional performance obligations. We need to conclude on the revenue recognition for these performance obligations and then develop processes and implement IT solutions and controls for this contract type. The same exercise will need to be repeated for the remaining FMS contracts and product offerings.

Our Supply Chain Solutions (SCS) provides comprehensive supply chain solutions including distribution and transportation services in North America and Asia. Our Dedicated Transportation Solutions (DTS) segment provides vehicles and drivers as part of a dedicated transportation solution in the U.S. Our SCS and DTS segments currently have contracts with over 700 customers in the U.S, Puerto Rico, Mexico, Canada, and Asia, and each contract is unique due to the highly customized nature of the services and complexity of the customer's supply chains across a variety of industries, including automotive, industrial, food and beverage service, consumer packaged goods, transportation and warehousing, technology and healthcare, retail, housing, business and personal services, and paper and publishing.

Due to the large volume of product offerings and types of contracts we have in all of our global subsidiaries, we are still in the "gathering information" phase in order to evaluate the impact of ASU 2014-09. Once we complete the mapping of product offerings and performance obligations for each contract type by segment, we expect it will take a considerable amount of time to identify systems, controls and process changes and to implement the solutions, which will be costly, and quality of financial information could be at risk to meet the January 1, 2017 deadline. Furthermore, guidance clarifying the identification of performance obligations is not yet finalized, which could delay our efforts to identify performance obligations.

A significant portion of Ryder's revenue would be impacted if the nonlease components (maintenance) would be required to be separated from lease components under Topic 842 and accounted for under Update 2014-09. As such, we recommend proposing an effective date concurrent with the Topic 842, once issued, especially since this would impact our full service lease revenue processes, controls and systems.

Question 2: Should the effective date of the guidance in Update 2014-09 be deferred for one additional year for all other entities? Please explain why.

No comment.

Question 3: In addition to providing a one-year deferral of the effective date of the guidance in Update 2014-09, should the Board also provide an optional two-year deferral for all entities that apply that guidance retrospectively to each reporting period presented? Please explain why.

We strongly believe the Board should provide an optional two-year deferral for all entities that apply that guidance retrospectively to each reporting period presented. If the effective date of the guidance in Update 2014-09 was only delayed to January 1, 2018, companies would need to begin accounting for revenue under both the new and current guidance for all contracts that exist on January 1, 2016 in order to present the 2016, 2017 and 2018 under the full-retrospective transition method.

Based on the effort required to implement the changes we have already identified, we do not believe it will be feasible to implement all solutions by January 1, 2016 for full-retrospective application. In the event the optional two-year deferral is not provided, we would likely elect to apply the modified retrospective transition approach.

Furthermore, as discussed in our response to Question #1, since the accounting treatment of nonlease components is dependent on the issuance of the Topic 842, we believe the effective date for Update 2014-09 should be postponed until the Topic 842 is effective.

Question 4: Should earlier application of the guidance in Update 2014-09 be permitted as of the effective date originally included in Update 2014-09? Please explain why.

No comment.