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February 10, 2016

Susan M. Cospers, Technical Director  
File Reference No. 2015-340  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, Connecticut 06856-5116

Submitted via electronic mail to [director@fasb.org](mailto:director@fasb.org)

Re: File Reference: No. 2015-340, Exposure Draft: *Government Assistance (Topic 832)*  
– *Disclosures by Business Entities about Government Assistance*

Dear Technical Director:

General Motors Company (“GM”) designs, builds and sells cars, trucks and automobile parts worldwide. GM has assembly, manufacturing, distribution, office or warehousing operations in 59 countries and, excluding our automotive financing operations and dealerships, we have over 100 locations in the U.S. alone. More information on GM and its subsidiaries can be found on our website at <http://www.gm.com>. We appreciate the opportunity to comment on the Proposed Accounting Standards Update, *Government Assistance (Topic 832) – Disclosures by Business Entities about Government Assistance* (the “Proposed ASU”) that reflects decisions made by the Board pertaining to the Proposed ASU.

On behalf of GM, we strongly support the goal to improve the effectiveness of disclosures in the notes to financial statements by clearly communicating the information that is most important to users of the financial statements. While supporting this goal, we believe the requirements of the Proposed ASU would be costly and difficult to prepare given the complexity of global entities and the wide variations of such arrangements. The Proposed ASU would result in significant challenges for most large multinational entities related to the measurement and aggregation of hundreds of arrangements with widely varying terms and conditions, which is further complicated by legal constraints and significant concerns about disclosing sensitive information to competitors. Furthermore, the receipt of governmental assistance is typically just one element of a broader economic decision such that the disclosure has the risk of being misleading, a fact that we believe to be one of the more significant problems with the Proposed ASU.

In many cases, arrangements with government authorities involve an exchange of value and the value often fluctuates over time based on many variables. For example, the local government provides a manufacturing entity a reduction in property taxes on a manufacturing facility over a period of fifteen years. The property tax reduction is predicated on the entity providing the government with desired infrastructure supporting increased activity around the location, as well as requiring the entity to employ a certain number of people, with the reduction in property tax fluctuating up or down based on the number of people employed at the location in a given year. It also includes a claw back of certain amounts in the event the facility closes or fails to employ a minimum number of employees during the 15-year period. As such, the manufacturing entity evaluates many tradeoffs before deciding whether to accept the arrangement or locate/move the facility to another location. This example, and others like it, make the measurement of the benefit of the government assistance challenging, particularly given the fact the benefit is likely to fluctuate in the event of economic changes, facility expansions, tax increases or decreases, and other negotiations over time. Disclosing only the reduction in property tax as a "government assistance received" without reducing the assistance for those costs (infrastructure, etc.) incurred by the entity to receive such assistance would be extraordinarily misleading.

In our experience, arrangements often have disparate terms and conditions, with some providing government assistance with little related cost, while others provide assistance that is offset by significant cost, and others where assistance merely offsets the additional cost of doing business in the location versus other competing locations. Moreover, the types of offsetting costs incurred often vary significantly, as do the types of government assistance. For example, a government might provide a 99-year lease on a parcel of land to an entity for no charge to offset the costs associated with the fact the location is lacking access to water, electricity and roads, which the entity will be required to construct if it locates the facility on the land. As another example, the government might provide an entity with tax credits to use to offset the higher wages in the country versus an alternative location to incent the entity to build the plant in its jurisdiction, a decision the entity would not otherwise make absent the tax credits to reduce the overall cost of selecting the location.

We also have concerns about existing confidentiality constraints that would legally limit the amount of information that could be disclosed. In our experience, certain governments require that information about the specific provisions of certain arrangements not be disclosed. We note that recent precedent was set in the adoption of GASB 77, which allows for non-disclosure of specific provisions of an agreement due to legal prohibition of disclosure, with additional guidance that allows for the general nature of the agreement and provisions to be disclosed rather than specifics, in such cases. If the Board were to proceed with the project, we believe a similar provision at a minimum would need to be adopted. However, we note that disclosing the general nature of some arrangements combined with any aggregation of the large number of disparate arrangements would only exacerbate the results that are likely to already be distorted or indecipherable.

In addition to legal constraints, we have significant concerns about the potential impact of disclosing certain information to competitors. At a minimum, competitors could use the information to recognize areas where they can negotiate similar deals or modify existing ones. In other cases, the information may provide insight into proprietary and confidential information pertaining to an entity's future strategic plans. Moreover, many companies are currently concerned about political arguments from special interest groups questioning tax incentives offered by governments as perceived abuses of the current taxation system. Frequently, these groups ignore the tradeoffs or costs incurred that gave rise to the benefits. We believe the Proposed ASU will only further complicate this matter.

In addition to our concerns about the anticompetitive effects of the Proposed ASU, we are also concerned about its effect on the future commercial activities of state actors. We believe no governmental authority will support disclosure of information that could harm its vital interests, especially if the harmful disclosure can be avoided by choosing to do business with a firm not subject to the requirements. For example, Government A considers the specific commercial terms of its agreements with private parties to be state secrets and has accordingly passed laws prohibiting public disclosure of such terms. As a result, an entity subject to US GAAP may be unable to bid on projects in the jurisdiction of Government A. As a further example, Government B is willing to grant appropriate fiscal relief for Project X, but does not wish the terms to be publicly disclosed because the disclosure would create pressure for Government B to grant comparable terms to other parties on other projects. Therefore, Government B awards Project X to an entity not subject to disclosure under the Proposed ASU.

For the reasons described, we are not supportive of the Proposed ASU and believe it would not be an improvement over current practice. While it is ostensibly reasonable on the surface for the Proposed ASU to require entities to disclose the amount of assistance received, the nature of the assistance and the significant terms and conditions of existing legally enforceable agreements, we believe these disclosure requirements are not operable. Further, the disclosures would be misleading at best with the cost of preparation outweighing the benefits. Some large multinational entities will have hundreds of these arrangements, all likely having differing terms and conditions. The challenges associated with the measurement of the benefit and the necessary undertaking of tracking and aggregating information to be able to meet the disclosure requirements would be overwhelming and expensive, if not impossible, for many global entities. Selected responses related to the specific questions from the Proposed ASU are attached in Exhibit A to this letter.

We thank the Board for the opportunity to provide comments and appreciate the Board's consideration of the points outlined in this letter. Should you have any questions or need to discuss this letter, please contact me at (313) 667-3434.

Sincerely,

/s/ THOMAS S. TIMKO

Thomas S. Timko  
Vice President, Controller and Chief Accounting Officer  
General Motors Company

## Answers to Questions for Respondents

Question 1: Do you agree that the scope of the amendments in this proposed Update should be limited to legally enforceable agreements in which an entity or entities receive value from a government? Do you also agree that the scope of the proposed amendments should not apply to transactions in which the government is (a) legally required to provide a nondiscretionary level of assistance to an entity simply because the entity meets applicable eligibility requirements that are broadly available without specific agreement between the entity and the government or (b) solely a customer? If not, what other types of arrangements should be included in or excluded from the scope of the amendments in this proposed Update? Explain why.

In the event the Board determines to proceed with the project, limiting the scope to legally enforceable agreements where an entity receives value or assistance appears appropriate; however, as we note in the letter as well as in answers to specific questions below, we are troubled that there is no practicable method to measure the value or assistance entities receive from a government even for those agreements within the scope of the Proposed ASU for the reasons described herein. We also agree the scope should exclude broadly available nondiscretionary levels of assistance. However, we do believe further implementation guidance is necessary with regard to how to define "broadly available." That is, if the benefits are available to just a particular industry, would that constitute "broadly available?" Further, if separate legally enforceable agreements with similar terms are executed with multiple companies, but not available to all companies, would that constitute "broadly available?" By way of another issue, consider an example whereby a government may provide a standardized amount or rate subsidy for all entities that meet specified criteria; however, the criteria used to determine whether the entity qualifies may be highly judgmental. While there appears to be a standard set of criteria anyone can use, two different entities with very similar fact patterns might be evaluated differently as to whether they meet the subjective criteria. It is unclear whether this example would be considered broadly available. Furthermore, while we believe the scope should exclude nondiscretionary assistance that are broadly available, when considered from a more global, holistic perspective, the distinction between broadly available arrangements and legally enforceable arrangements becomes blurred. See Questions 2 and 3 below for further discussion.

When considering the scope, we believe scoping questions exist beyond those asked in the Question 1 above. For example, some countries have currency exchange restrictions whereby local currencies can be exchanged into a foreign currency only through a governmental controlled process. We have experienced situations where exchanges occur at an artificially high/subsidized exchange rate. In such situations, due to a lack of available foreign currencies, exchanges typically occur infrequently with the government at times selecting which companies can participate in an exchange. Such exchanges can be subject to separate agreements with the government. We believe the Proposed ASU is less than clear pertaining to whether such a fact pattern would constitute governmental assistance, and variants of this fact pattern will create implementation and measurement issues pertaining to scope absent further clarification in the Proposed ASU.

As we note in the letter, disclosing only "government assistance received, such as a reduction in property tax," without reducing the assistance for costs incurred (such as building infrastructure for the government) by the entity to receive such assistance could be extraordinarily misleading. Thus, if the Board proceeds with the project, we believe the scope of the Proposed ASU should be amended to measure government assistance as the "net" of any related costs incurred or expected to be incurred to receive the assistance. Most of the

examples we provide herein help to highlight this issue. As another example, consider a grant provided for purposes of performing research and development (R&D). The grant provides assistance whereby the government provides 40 percent of the funding and the entity provides 60 percent. The entity owns outright any resulting IP/technology, but the government has a no cost unlimited license to use and access said technology in perpetuity. The projected spending of the R&D project is highly variable and nearly impossible to predict. These highly variable circumstances further complicate the ability to project the future benefit the entity is expecting to receive, if any. Moreover, the projected benefit would need to be netted with the value of the license provided to the government to use or access the IP over time. This example isn't substantively different from many others where the government receives a benefit for the "assistance" provided, yet it isn't entirely clear whether this would be considered as providing the government a service, whether they are a collaborative partner in the project, or whether any assistance should be "net" of the cost of receiving the benefit. Simply disclosing the government spending or assistance on these projects would be inherently misleading.

Finally, we also agree that transactions solely as a customer should be excluded.

Question 2: Do you agree that the proposed disclosure requirements should be the same for both domestic assistance and foreign assistance? If not, please explain why and what proposed disclosure requirements you believe should differ. Are there any unique types of foreign assistance that should be considered? If so, explain why and be specific about any unique types of foreign assistance.

In the event the Board proceeds with the project, we can't envision any reason to exclude domestic or foreign assistance, or make disclosure requirements different between the two. To do so would result in disclosures that are only remotely useful to financial statement users. That said, we believe the Board would need to provide, at a minimum, a provision to deal with legal constraints, as certain governments require that information about the specific provisions of certain arrangements not be disclosed. We note that recent precedent was set in the adoption of GASB 77, which allows for non-disclosure of specific provisions of an agreement due to legal prohibition of disclosure, with additional guidance that allows for the general nature of the agreement and provisions to be disclosed rather than specifics, in such cases. While we believe this would be required to address the confidentiality constraints in disclosures required by the Proposed ASU, it also further weakens the usefulness and further complicates any aggregation of multiple contracts with varying terms and conditions as noted in the letter and our answers below.

The notion of foreign assistance also highlights what is a significant fundamental issue we believe most large multinational organizations will have with regard to the merits of the Proposed ASU itself. As a simple example, assume Country A's tax rate is 40 percent and Country B's tax rate is 15 percent. Country B's tax rate is also lower than other countries within that geographical region due to a desire to spur economic growth. Also, assume Entity Z has manufacturing operations in Country A and Entity Y has manufacturing operations in Country B. Entity Z has an agreement with Country A to reduce its tax rate to 20 percent. Under the Proposed ASU, Entity Z would be required to disclose the nature and benefits of its arrangement with Country A whereas Entity Y would have no such disclosures merely because the tax rate in Country B is more broadly available. Furthermore, the risk that Country B raises its tax rate in the future is likely no different than the risk Entity Z's reduced tax rate expires. We believe the Proposed ASU is targeting only one element of a very complex topic and the resulting information would be of only nominal incremental benefit to a user of the financial statements.

Question 3: Do you agree that the scope of the proposed amendments should not exclude government assistance agreements that are within the scope of Topic 740, Income Taxes? If not, explain why.

No, we believe the disclosure requirements of Topic 740 are adequate for income taxes. Any benefits relative to income taxes provided by governmental entities are disclosed, if material, when they affect the effective rate. Furthermore, tax rates can vary widely between tax jurisdictions and even a broadly available rate in one jurisdiction may inherently contain an element of governmental assistance, which adds further complication to this topic. When viewed from a global basis, whether a tax rate is broadly available or subject to a specific agreement between an entity and the government, the distinction between the differences between a rate being more widely available in one jurisdiction or subject to specific negotiation in another jurisdiction becomes lost. We believe disclosing the amount from the specific agreement with the government therefore becomes misleading. Tax rates change overtime in a similar manner to having the ability to maintain a separate agreement with the government. Such changes are driven by broader underlying economic situations existing at the time.

Question 5: Are the proposed scope and disclosure requirements operable and auditable? Do your existing information sets and systems, internal controls, and so forth capture the information required to be disclosed by the proposed amendments? If not, which aspects of the scope or disclosures pose operability, auditability, and/or cost issues and why?

Because we have not historically been required to track the required information, we would be required to develop costly systems to capture and report the required information. We likely have hundreds of these arrangements throughout our global operations, all having differing terms and conditions. Some of these arrangements will have been in place for many years such that inventorying existing arrangements and locating historical documentation will be challenging. Whether the Proposed ASU is operable becomes more complex when considering measurement. Obtaining the necessary information to measure the benefit being received will be extremely difficult. It will require collecting and tracking information from nonstandard arrangements, especially the necessary information to capture adjustments over time due to variables. This will give rise to a very manually intensive process. Further, aggregating the information for agreements that vary significantly in terms and conditions will be difficult if not nearly impossible.

Question 6: Do you agree that an entity should be required to disclose, unless impracticable, the amount of government assistance received but not recognized directly in any financial statement line item? If not, explain why.

We believe such disclosure to be impracticable for most large multinational organizations, as valuing the "assistance received but not recognized directly" will be difficult. In addition, the measurement of the net benefit is further complicated, given the offsetting costs the entity generally is required to incur in order to receive any benefit. This is further complicated by the fact that many of these arrangements contain variable components that are impracticable to predict or estimate. Additionally, the benefit is often received over a period of several years, and so the benefit value is likely to be impacted by subsequent changes in the business or macroeconomic environment, such as future increases in taxes or other items that may affect the measurement of the benefit over time.

For example, assume an arrangement with a global entity and a government entity includes government assistance in the form of a right to use land over 99 years. In order for the entity to receive the "free" use of the

land, it is required to provide its own infrastructure at its own cost, as well as meet certain employment targets each year. Lease payments are required in the event that the employment targets are not met, and they vary based on how far the deviation is from target. The entity must relocate some work and related employees from other locations in order to achieve the employment targets. Demand for the products over the 99-year life of the agreement could also affect the ability of the entity to achieve the employment targets. There are other factors that make the arrangement cost effective, including tariffs for goods produced in locations outside the host country, as well as the low cost of wages for employees in the location compared those locations that don't require significant investment into development of the infrastructure to support the facility. By way of further example of the complexities associated with a common fact pattern, assume a similar facility is constructed in another location where the government assistance is a reduction of property tax for the facility so long as the entity constructs a freeway exit located near the facility and turns the improvements over to the governmental entity. Once the freeway improvements are reimbursed, plus interest, through the reduction of the property tax over a period estimated to be five years, further reduction in property tax from years five through ten are tied to the number of people employed in the facility covering all ten years of the agreement.

Consider measuring the benefits of these two very different agreements, disclosing the benefits that are not recognized in the financial statements (to the extent there are any), and then aggregating the agreements for tracking and disclosure purposes given the related benefits vary every year. Add another 50, 100, or 200 arrangements to the list, and the complexities of measuring, tracking and preparing the disclosure become more apparent. The challenges associated with the measurement of the benefit, the wide range of terms and conditions, the nature of the assistance results in a undertaking of tracking and aggregating for the proposed disclosure that would be overwhelming and expensive for multinational entities.

In addition, it is not clear to us why lower property taxes, or other tax abatements, represent government assistance not directly recognized because, in our view the taxes would appear to be properly recorded at the amount owed and paid to the government. On the other hand, a clearer case can be made that the benefit of an interest-free loan or free use of land represents government assistance not directly recognized in any financial statement line. We are confused by this notion and believe that the definition of what is "directly recognized in any financial statement line" may need to be further refined and more examples provided.

Question 7: For preparers, are there any restrictions (legal or otherwise) that exist in government assistance agreements that would preclude an entity (for example, confidentiality or proprietary reasons) from disclosing the information required by the amendments in this proposed Update? If so, specify what those restrictions are, whether they relate to foreign or domestic assistance, and which proposed disclosures cause concern and why.

Yes, confidentiality constraints likely exist that would contractually limit the amount of information that could be disclosed. With regard to legal constraints, certain governments require that information about the specific provisions of certain arrangements not be disclosed. We note that recent precedent was set in the adoption of GASB 77, which allows for non-disclosure of specific provisions of an agreement due to legal prohibition of disclosure, with additional guidance that allows for the general nature of the agreement and provisions to be disclosed rather than specifics, in such cases. Entities may have a number of these relationships that would be subject to legal restrictions. Those entities would then be required to determine how to handle them and would likely be subject to some kind of high-level summary disclosure similar to the one outlined in GASB 77. If the Board were to proceed with this project, we believe a similar provision at a minimum would need to be adopted in order to make it more operable.

Question 9: The proposed amendments would not amend Topic 270, Interim Reporting, to add any specific interim disclosure requirements. Instead, required interim disclosures about government assistance would be limited to material changes occurring since the most recent annual period. Should the proposed amendments include additional interim disclosure requirements? If so, what disclosures do you think should be added and why?

We do not believe there is any need to amend Topic 270. If there were to be a material arrangement entered into during the interim period it is highly likely it would be disclosed in some fashion.

Question 10: Do you agree that the amendments in this proposed Update should be applied to all agreements (a) existing at the effective date and (b) entered into after the effective date with retrospective application permitted? If not, explain why.

If the Board determines to proceed with the project, it is difficult to imagine that the disclosures would be useful to anyone in the event they are limited to those agreements entered into after the effective date. Global entities have hundreds of agreements that have been in existence for several years, and given the long-termed nature of many of the arrangements, it could be years until the proposed disclosures would be of any perceived benefit to financial statement users if retrospective application were not required.

Question 12: How much time would preparers need to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by entities that are not public business entities be different from the amount of time needed by public business entities?

If the Board proceeds with the project, we believe large global entities would require a significant amount of time to systematically collect the information, resolve issues of scope, assessing new arrangements, measurement, aggregation, tracking and dealing with confidentiality concerns, particularly in light of the volume and significance of new accounting standards we are required to implement over the next several years. Therefore, the effective date should be no sooner than 2020.