



Avis
Budget
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Apex

January 31, 2018

Technical Director, File Reference No. 2018-200
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

VIA EMAIL: director@fasb.org, File Reference No. 2018-200

We appreciate the opportunity to comment on the proposed Accounting Standards Update for Leases (Topic 842), Targeted Improvements ("Update"), issued by the Financial Accounting Standards Board ("FASB").

Avis Budget Group operates three of the most recognized brands in the global vehicle rental and car sharing industry, Avis, Budget and Zipcar together with several brands well recognized in their respective markets, including Payless, Maggiore, FranceCars and Apex. We also license the use of our trademarks to licensees in the areas in which we do not operate directly. We and our licensees operate our brands in approximately 180 countries.

We support the intent of the FASB's Update and believe the changes proposed within the Update will provide transition relief and simplification in applying the new lease guidance in Topic 842. In addition, we believe that the separation of lease and nonlease components of a lease agreement by a lessor does not provide decision-useful information.

To further clarify the Update, we highly recommend the Board include language addressing the treatment of nonlease components that are ineligible for combination with the lease component because they have a different pattern and timing of revenue recognition than the lease component (i.e. customer loyalty programs). The Update's paragraph BC21 may be helpful in addressing this, "If an entity elects the practical expedient in this Update, it must apply the expedient consistently to all nonlease components eligible to be combined with lease components." Codification language in the Update that explicitly states that the presence of a nonlease component that is ineligible for combination (i.e. loyalty program component) does not preclude lessors from accounting for all other lease and eligible nonlease components in the contract as a single lease component would provide clarity to the preparers of financial statements. For

example, lessors offering a customer loyalty program should not be precluded from accounting for other lease and eligible nonlease components as a single lease component simply because of the presence of a customer loyalty program that is ineligible for combination based on paragraph 842-10-15-42A.

In addition, we encourage the Board to provide guidance on how a lessor should account for a loyalty reward program when the redemption of awards under the program will result in a transaction that is subject to the guidance in Topic 842. Our customer loyalty program allows members to redeem points for future vehicle rentals. Accordingly, the revenue recognized upon the redemption of points would be within the scope of Topic 842. However, as with most customer loyalty programs that are at the option of the customer, we award points that will never be redeemed (breakage) by the customer. Topic 606 provides guidance on how a reporting entity should account for breakage. We recommend that the Board add guidance to Topic 842 indicating that lessors who sponsor customer loyalty programs should apply the guidance in Topic 606 when accounting for expected breakage.

We appreciate the Board's consideration of our views.

Sincerely,

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