March 9, 2018

Mr. David Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

RE: Accounting for Interest Cost during the Period of Construction Exposure Draft (Project 9-5)

Dear Mr. Bean:

Hartsfield-Jackson Atlanta International Airport (ATL or Airport) appreciates the opportunity to comment on the Governmental Accounting Standards Board (Board) above referenced Accounting for Interest Cost during the Period of Construction Exposure Draft (ED or Proposed Standard).

ATL is owned by the City of Atlanta (City) and operated by the Department of Aviation (Department). The Department is a major enterprise fund of the City and conducts business-type activities in its operation of the Airport. The Airport is self-supporting and does not draw on any other City resources in order to fund its operations, nor does the Airport have taxing authority. ATL serves the Atlanta metropolitan area, which is the ninth largest metropolitan area in the United States with a population in excess of 5.7 million people. As the world’s busiest airport, ATL has invested in significant capital infrastructure in order to facilitate the number of passengers and aircraft that flow through the Airport on an annual basis. ATL has a terminal complex that measures over 7 million square feet. The complex includes both domestic and international terminal buildings and seven concourses. The airfield consists of five parallel runways. ATL has financed a significant portion of this infrastructure with long-term debt and will finance a significant portion of ATLNext, a $6 billion capital plan, with long-term debt.

The ED outlines two stated objectives in the introduction: (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for interest cost incurred during the period of construction.

ATL believes these to be important objectives. However, we believe the Proposed Standard and arguments in the basis for conclusions do not appropriately consider the economic reality of construction period interest for airports like ATL that have significant capital plans where a new terminal or runway configuration can cost billions of dollars requiring several years to design and construct. We have outlined our concerns below:

1. **Rate Making and Accounting Consequences** – Airline/airport use agreements follow the Federal Aviation Administration’s Policy Regarding Rates and Charges in accordance with the International Civil Aviation Organization’s (ICAO) principles for setting airport charges. Cost associated with
building large capital projects are built into the rates and charges and recovered over an extended period of time. In addition, based on our agreement with the airlines, ATL cannot charge the airlines for a rate based project until the beneficial date of occupancy, which occurs after construction. For ATL and other airports in the United States, recording interest as a period cost during the period of construction violates one of the fundamental principles of accrual accounting, the matching principal.

2. **Interest as a Component of an Asset’s Cost** – ATL does not agree with separating the interest cost during the construction period from the asset for airports. Interest costs incurred during the construction of airport facilities are not a financing activity separate from the capital asset. The decision making process for developing airport facilities is tightly integrated with the funding decision for the development of those assets; therefore, we believe interest costs are inseparable from the capital asset as the capital asset could not be built without incurring interest costs during construction.

3. **Relevance** – The capitalization of interest during construction is relevant as it is consistent with the ratemaking practice of debt service costs, including interest, when an airport is constructing a capital asset. Disallowing capitalization of interest as described in the Proposed Standard will make airport financials less relevant to economic reality, subjecting airports to negative impacts on their net position. FASB 34 states “the objectives of capitalizing interest are (a) to obtain a measure of acquisition cost that more closely reflects the enterprise’s total investment in the asset and (b) to charge a cost that relates to the acquisition of a resource that will benefit future periods against the revenues of the periods benefited.” This is a very succinct description of the relevance of capitalized interest to airports.

4. **Comparability** – The theoretical argument for comparison of assets across a governmental enterprise is specious and misses the true intent of comparability. ATL believes that external considerations to comparability are more relevant. There is far more value in comparing airports across the industry than there is in comparing our airport to other components of the City. In practice, this analysis is far more common. GASB has always recognized differences between governmental and enterprise funds. The Proposed Standard will impair the comparability of airports and creates inconsistency among standard setting bodies. Both the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) require the capitalization of interest.

5. **Complexity** – The effort to allocate capitalized interest is not an overly complex process, especially when contrasted with other GASB Standards recently issued. Therefore, we feel this is not a compelling objective.

In summary, we believe that recording capitalized interest costs during the period of construction is most relevant, is consistent with fundamental accounting principles and provides comparability across the international spectrum of airports.

We strongly encourage the Board should reconsider implementation of this Proposed Standard.
Sincerely,

Greg Richardson
Interim Deputy General Manager and CFO

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