October 22, 2019

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Dear Ms. Countryman:

RE: Modernization of Regulation S-K Items 101, 103, and 105, File No. S7-11-19

On behalf of XBRL US, I am writing to respond to the SEC proposal Modernization of Regulation S-K Items 101, 103, and 105. We support the goals of this proposal and appreciate the opportunity to provide input to the process.

XBRL US is a non-profit, standards organization with a mission to improve the efficiency and quality of reporting in the U.S. by promoting the adoption of business reporting standards. XBRL US is a jurisdiction of XBRL International, the non-profit consortium responsible for developing and maintaining the technical specification for XBRL, a free and open data standard widely used around the world for reporting by public and private companies, as well as government agencies. XBRL US members include accounting firms, public companies, software companies, data and service providers, other nonprofits, and standards organizations.

The stated goal of the proposed rule is to “... improve the readability of disclosure documents, as well as discourage repetition and disclosure of information that is not material.” The rule points out that these disclosure requirements have not undergone significant revision in thirty years. One important development that has taken place in the last ten years, that could be instrumental in modernizing and improving access to Regulation S-K Items 101, 103, and 105, is the implementation of financial data standards for reporting by operating companies.

Much of the data that falls under Items 101, 103, and 105, is textual in nature, and it does not fall within the financial statement portion of the 10-Q or 10-K filing. This may be why the Commission chose not to address the idea of adopting standards for these items. That said, given the importance of this information, the ability to establish clear definitions for each item, and the Commission’s goal of improving the readability of the data, requiring this data in tagged (XBRL) format, would be a logical step that would aid the Commission in its goal of improving the usability of disclosures.
We strongly recommend adopting financial data standards for information in Items 101, 103, and 105.

Text and Table Standards Today

Today, 6,000 public companies report their financial information, including tables, text blocks, and numeric information, in structured data format (XBRL). In January 2009, when the SEC rule Interactive Data to Improve Financial Reporting was published, it included requirements for companies to “detail tag” the footnotes to their financials, with four levels of tagging:

1) each complete footnote tagged as a single block of text;
2) each significant accounting policy tagged as a single block of text;
3) each table within each footnote tagged as a separate block of text; and
4) within each footnote, each amount (i.e., monetary value, percentage, and number) separately tagged.

The reason behind establishing identifiable XBRL concepts for individual blocks of text, tables and text strings was to automate the ability to extract the data easily. Investors, regulators, and even public companies themselves, today can extract text blocks for multiple companies with ease, because this data is available in structured format. Below is an example of a Leases text block from a recent Union Pacific 10-Q².

[snippet of text block]

Hundreds of policy text blocks are available in the US GAAP Taxonomy and are used to extract specific information from the notes to the financial statements. A sample listing of policy text blocks is shown on the diagram below.

² [link to SEC document]

https://www.sec.gov/ix?doc=/Archives/edgar/data/100885/000010088519000256/unp-20190930x10q.htm#
Auditors or SEC filers can use this data as examples when preparing clients or their own policy statements, or to aid in understanding how peers or competitors approach various issues such as accounting, or advertising policy. Investors and regulators can better gauge industry trends by quickly and easily extracting policy and text block examples from multiple companies.

Similarly, table text blocks such as the Commitments and Contingencies Activities text block for the same Union Pacific filing, shown below, can contain very useful information for investors, regulators and others.

Below are examples of the hundreds of table text block tags that are available in the US GAAP Taxonomy.
Rationale for Standardizing Items 101, 103, and 105

Data captured for these items is quite similar to what is already captured for the various text blocks reported in XBRL. The diagram below shows how a text block tag could be created for Item 103 “Legal Proceeding”.

Item 1. Legal Proceedings

From time to time, we are involved in legal proceedings, claims, and allegations that occur in connection with our business. We routinely assess our liabilities and contingencies in connection with these matters based upon the latest available information and, when necessary, we seek input from our legal advisors when making these assessments. Consistent with SEC rules and requirements, we disclose below material pending legal proceedings (other than ordinary routine litigation incidental to our business), material proceedings treated to be contemplated by governmental authorities, other proceedings pending under federal, state, or local environmental laws and regulations (including governmental proceedings involving potential fines, penalties, or other monetary sanctions in excess of $10,000), and such other pending matters that we may determine to be appropriate.

Environmental Matters

In October 2019, the California Department of Public Health & Environment (the agency) expressed concerns over our construction activities performed by UPRR under the Moffat Tunnel. These activities, which were deemed satisfy criteria, had caused contaminants from inside the tunnel to be discharged into the adjacent Fraser River in violation of the tunnel’s National Pollutant Discharge Elimination System (NPDES) permit. Following extensive discussions with the agency, and UPRR’s commitment to install and operate best management practices (BMPs), the agency agreed to allow UPRR to require safety-related construction activities. In February 2018, the agency (after reviewing the data) alleged violations of the NPDES permit (for the Fraser River) and (for the Colorado River) and assessed UPRR a penalty of $14,000. In June 2018, the parties reached a preliminary agreement on the amount of the penalty, i.e., $1,400. UPRR is now engaged in drafting final terms and conditions for settlement. We expect to finalize the agreement and execute payment in the first quarter of 2019.

We receive notices from the EPA and state environmental agencies alleging that we are or may be liable for settlements or claims under federal or state environmental laws for remediation costs of various sites throughout the U.S. including sites on the Superfund National Priorities List or state superfunds list. We cannot predict the ultimate impact of these proceedings and suits because of the number of potentially responsible parties involved, the degree of contamination by various wastes, the quality and quantity of volumetric data related to the sites, and the speculative nature of remediation costs.

Information concerning environmental claims and contingencies and estimated remediation costs is set forth in Management’s Discussion and Analysis of Financial Condition and Results of Operations. - Critical Accounting Policies. - Environmental, item 1 of our 2019 Annual Report on Form 10-K.

Other Matters

Arbitral Litigation - As we reported in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, we again engaged in several legal proceedings. These legal proceedings involve various federal district courts against us and four other Class I railroads in the U.S. Currently, UPRR and three other Class I railroads are the named defendants in the suit. As previously reported, an appellate hearing rendered for the U.S. District Court for the District of Columbia, the court has determined that neither the railroad nor the railroad company is liable. As a result of this determination, the court has ordered the railroad company to be relieved of liability in this case and all other pending cases involving the railroad company. In addition, the railroad company has also entered into certain settlement agreements. The railroad company believes these agreements are without merit. For additional information on this lawsuit, please refer to Item 3. Legal Proceedings, under Other Matters. Arbitral Litigation in our most recently filed Annual Report on Form 10-K for the year ended December 31, 2019.

As we reported in our Current Report on Form 8-K filed on June 10, 2011, the railroad received a complaint filed in the U.S. District Court for the District of Columbia on June 7, 2011, by Debbie Carlin & Andrews LLC and related entities (Defendants). The Defendants alleged that some of our railcars were being used to transport the Defendants’ products to foreign countries. As a result of the settlement discussions, the parties agreed to proceed with a settlement agreement. For additional information on this lawsuit, please refer to Item 3. Legal Proceedings under Other Matters. Arbitral Litigation in our most recently filed Annual Report on Form 10-K for the year ended December 31, 2019.

We continue to deny the allegations that our railcar exchange programs violate the antitrust laws or any other laws. We believe that these lawsuits are without merit, and we will vigorously defend our actions. Therefore, we currently believe that these matters will have a material adverse effect on any of our results of operations, financial condition, and liquidity.

The ability to quickly extract tabular and textual information can be just as important as extracting numeric data.

For Item 105 - Risk Factors, the proposal states the Commission’s intent to “...require registrants to organize their risk factor disclosure under relevant headings in an effort to help readers comprehend lengthy risk factor disclosures. As noted above, many registrants already do this and we believe that further organization within risk factor disclosure will improve the effectiveness of the disclosures.”
This breakdown of risk factors into relevant headings could be facilitated by the creation of XBRL concepts to represent these standardized headings, which issuers can select from as they prepare their filing. Consumers of the data would be able to extract all risk factors or query specific risk factors of interest. They could review specific categories of risk about multiple companies simultaneously with ease. Or they could extract risk factor information about a single company over time, by extracting data from multiple historical filings. This kind of time series analysis, which could be invaluable at better understanding corporate risk and how management handles their own risk, could be automated, and performed with ease were data standards in place.

Adding XBRL formatting for these items to what is already required of public companies, would require creating a handful of new concepts in the US GAAP Financial Reporting Taxonomy, and would require public companies to apply XBRL to several additional reported facts in their filing. We do not believe this would mean additional burden to their current process. They would continue leveraging the same preparation tools they use today; and those tools would simply reference the revised taxonomy with the new concepts for Items 101, 103, and 105.

The benefit to the marketplace, however, could be significant in terms of machine-readable, more functional information about public companies. And standards would also help the Commission meet its stated goal of improving the readability of disclosure documents.

Greater standardization improves investors, regulators, researchers, academics, analysts and other data consumer’s ability to access data about public companies. Any data that is important enough to disclose, should be made available in machine-readable, structured data format. Items 101, 103, and 105 lend themselves easily to incorporation into the US GAAP Taxonomy as concepts that issuers can use to help stakeholders access data more easily. We encourage the Commission to adopt standards for Items 101, 103, and 105. I am available if you have questions concerning our recommendations or would like to discuss further. You can reach me at (917) 582-6159 or by email Campbell.Pryde@xbrl.us.

Sincerely,

Campbell Pryde
President and CEO