Altria

December 8, 2011

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

Comments on PCAOB Rulemaking Docket Matter No. 37: *Concept Release on Auditor Independence and Audit Firm Rotation* ("Concept Release")

We appreciate the opportunity to comment to the Public Company Accounting Oversight Board ("PCAOB") in connection with the PCAOB's evaluation of the requirement for mandatory rotation of audit firms.

Altria Group, Inc. ("Altria") is a holding company incorporated in the Commonwealth of Virginia. At September 30, 2011, Altria's wholly-owned subsidiaries included Philip Morris USA Inc., which is engaged in the manufacture and sale of cigarettes and certain smokeless products in the United States; UST LLC, which through its subsidiaries is engaged in the manufacture and sale of smokeless products and wine; and John Middleton Co., which is engaged in the manufacture and sale of machine-made large cigars and pipe tobacco. Philip Morris Capital Corporation, another wholly-owned subsidiary of Altria, maintains a portfolio of leveraged and direct finance leases. In addition, Altria held a 27.1% economic and voting interest in SABMiller plc at September 30, 2011.

Altria is a preparer of financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Altria is a large accelerated filer whose common stock securities are registered on the New York Stock Exchange. We believe that auditor independence, objectivity and professional skepticism are crucial to providing investors, analysts and other key stakeholders with the assurance that a company's financial statements and disclosures are prepared and reported in accordance with U.S. GAAP and reflect the true financial condition of the entity.

While we appreciate the PCAOB's effort to continue to enhance auditor independence, objectivity and professional skepticism, it is our opinion that the current regulatory environment created by the Sarbanes-Oxley Act of 2002, the enactment of more stringent ethics requirements, and the functions of audit committees which oversee the auditors have resulted in significantly improved auditor independence, objectivity and professional skepticism. While we believe that there is no guarantee that mandatory audit firm rotation would provide the benefit of enhanced independence, we know that it would significantly

increase the costs of audits, may undermine the quality of the audits particularly in the early years of the rotation, and may possibly limit the availability of audit firms that may be engaged to perform critical non-audit related services.

Increased Costs:

In a study by the General Accounting Office (the "GAO") issued in November 2003, *Public Accounting Firms: Required Study of the Potential Effects of Mandatory Audit Firm Rotation* (the "GAO Report"), the GAO estimated that first-year audit-related costs would increase by as much as 102% as a result of an audit firm rotation. We concur with this assessment as the new audit firm would incur significant incremental costs for multiple years, as well as disruption and interruption of company personnel, as a result of work associated with the start-up and learning curve necessary to gain the in-depth knowledge and understanding of the company's operations, business and processes that are necessary for an effective audit. While the GAO Report acknowledged the significant increase in costs, it also concluded that the benefits of mandatory audit firm rotation were not certain.

There must be a balance between the costs associated with mandatory firm rotation and the potential benefits to the users of the audited financial information. These costs must be considered before implementing a change that ultimately will provide no additional guarantee that auditor independence, objectivity and professional skepticism will be improved.

Audit Quality:

We are concerned that the quality of our audit may suffer in the early years of an engagement as the knowledge base of a company would have to transfer between accounting firms. The learning curve for new accounting firms, which may be greater for larger and more complex companies, may continue for several years. Mandatory audit firm rotation could exacerbate this problem and increase the risk of audit failure in the early years of the audit firm rotation.

We believe that the existing audit partner rotation requirements, enacted to enhance auditor independence and audit quality, make audit firm rotation requirements unnecessary. As an alternative, we believe that consideration should be given to a recommendation provided by a current Board member of the PCAOB, which is to empower regulatory bodies, such as the PCAOB, to require rotation on a case-by-case basis when an inspection finds that long tenure and lack of independence have combined to result in an audit failure.

Audit Firm Selection and Availability:

Audit firm availability poses a significant issue for large companies. The GAO Report concluded that 92% of many large public companies will only use one of the "Big 4" accounting firms for auditing purposes, and 94% of the audit committees polled as part of that study stated that they would likely continue to only consider using one of the "Big 4" if auditor rotation became mandatory. In fact, the covenants related to Altria's current 5-Year Revolving Credit Facility require an annual audit by a "Big 4" accounting firm, and Altria would likely continue to use a "Big 4" accounting firm even if our covenants changed. We believe this creates issues around the timing of transition, availability of audit firm resources, and industry expertise. Large accounting firms are not interchangeable and there may be valid reasons, such as expertise in a particular industry, for selecting and retaining one firm versus another. Mandatory audit firm rotation would limit our audit committee's discretion in best responding to

a company's specific needs to achieve audit quality. Our audit committee today has the option of requiring rotation if they feel rotation best meets the needs of the company based on specific facts and circumstances. This role would be much more limited if mandatory audit firm rotation becomes a requirement.

Further, with current regulations prohibiting the use of a company's principal auditor for certain other non-audit related services, we are concerned that the availability of auditors would be limited during the transition period approaching a rotation year as other viable firms may already be engaged by the company to provide critical non-audit related services.

Conclusion:

We believe that a sound environment currently exists to foster auditor independence, objectivity and professional skepticism on a broad basis, and there is no guarantee that mandatory audit firm rotation would significantly improve that environment. However, we do know that mandatory audit firm rotation would significantly increase the costs of an audit, create administrative disruptions, likely reduce audit quality in the early years of the transition, reduce the flexibility of our audit committee in selecting an audit firm and possibly limit the availability of audit firms for both audit and non-audit related services.

Sincerely,

Linda M. Warren

Linda M. Warren
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Altria Group, Inc.