



December 13, 2011

Office of the Secretary
Public Accounting Oversight Board
1666 K Street NW
Washington DC 20006-2803

Via email: comments@pcaobus.org

Re: PCAOB Release No. 2011-006
PCAOB Rulemaking Docket Matter No. 37
Concept Release on Auditor Independence and Audit Firm Rotation

Dear Board Members:

We appreciate the opportunity to provide our comments to the PCAOB (the Board) regarding Concept Release No. 2011-006 (the Concept Release) which explores methods to enhance auditor independence, objectivity, and professional skepticism including, in particular, mandatory audit firm rotation.

Core-Mark (Nasdaq: CORE) is one of the largest marketers of fresh and broad-line supply solutions to the convenience retail industry in North America in terms of annual sales (approximately \$7.3 billion in 2010), providing sales and marketing, distribution and logistics services to customer locations across the U.S. and Canada.

We applaud the Board's efforts to undertake the initiative to explore methods to enhance auditor independence, objectivity, and professional skepticism. We believe that auditor independence and objectivity are important elements to ensure investors' confidence and faith in the financial statements issued by publicly traded companies. Overall, we support changes that would improve the quality of audited financial statements provided the benefits of any changes outweigh the related costs and potential unintended consequences.

However, we strongly oppose the proposal set forth in the Concept Release of mandating audit firm rotation as a way to improve auditor independence, objectivity or professional skepticism. We believe the rotation of audit firms not only presents substantial risks to overall audit quality, but will substantially increase audit related costs. We are also skeptical as to whether such mandatory rotation would have any positive impact on auditor independence and objectivity, given the high standards and safeguards that are already in place.

Audit Quality

We believe that audit quality and effectiveness would decline in the event audit firm rotation is required.

The Board notes in the Concept Release that opponents of mandatory audit firm rotation have pointed out that "audit quality may suffer in the early years of an engagement and that rotation could exacerbate this phenomenon." We completely agree with this view. In order for auditors to perform a quality audit, they must acquire significant knowledge about a company's business, its accounting systems and processes and internal control framework.

A new audit firm may have the technical skills, but it also needs a strong understanding of the company and the industry in which the company operates given the increasingly complex business, regulatory and accounting environments of today. Lacking extensive company knowledge, a new audit firm may fail to recognize the material risks that impact the financial statements and disclosures, or it may lead the auditor to a conclusion that would otherwise be different if they had sufficient company operational knowledge. Due to the significant learning curve associated with auditing a new company, we believe mandatory auditor rotation will decrease audit effectiveness and quality in the early years of an engagement while substantially increasing audit fees. We also believe there is risk that audit quality may be negatively impacted in the later years of an audit as audit firms move talented staff to other engagements with longer terms.

Cost Impact

As a broad-line distributor, we operate on very low net profit margins. Therefore increases in operating costs have a much more pronounced impact on our financial results than most other companies. For example, if operating costs were to increase by \$1 million, we would need to increase our sales by more than \$100 million to generate enough profit to offset this increase in costs. We, and our investors, are therefore very focused on controlling costs and we have worked very hard on reducing audit fees. The reductions in audit fees we have been able to achieve are a direct result of the work we have done to strengthen our financial controls, processes and staff, but also resulted from our auditors becoming increasingly more knowledgeable of our company and industry over the years. We believe introducing a new audit firm would undo a lot of this work and result in substantially higher audit fees.

Further, it is unclear what mandatory auditor rotation would do to industry pricing. We believe that mandatory rotation, coupled with the elimination of audit firms that may already provide consulting services, would severely limit the qualifying firms that a company would be willing to choose from. This could have the unintended consequence of increasing audit fees for companies.

In addition to the impact on outside auditor fees, we believe mandatory audit firm rotation would result in substantial additional internal costs. New auditors will likely do more work and test more broadly in the initial years compared with an audit firm that is familiar with the company and the associated risks. We would likely have to hire additional staff, or use costly consulting resources to supplement our staff, to meet these requirements. In addition, management of the Company and its audit committee would need to spend additional time reviewing and evaluating alternative firms which not only would increase costs, but

would take us away from running our business. The disruption associated with an auditor rotation program would also substantially harm our operating efficiency, as we would need to learn an entirely new auditor team and its protocol on every rotation.

We firmly believe, based on our experience, that mandatory auditor rotation will result in substantial cost increases in terms of both incremental audit fees and internal costs.

Conclusion

While we support increased auditor independence, objectivity, and professional skepticism, we are strongly opposed to the proposal of mandating audit firm rotation. As with any new regulations we believe the benefits of the regulations should outweigh their costs. In this case it appears the opposite is true. There is no factual evidence provided in the Concept Release to support the conclusion that auditor independence, objectivity and professional skepticism will be enhanced through audit firm rotation. In fact, we believe overall audit quality would be at risk while audit related costs to issuers will substantially increase.

We believe the current regulatory and professional standards including; mandatory audit partner rotation, PCAOB inspections of audit firms and the audit committee's oversight responsibility of audit firms provide a reasonable approach to ensure auditor independence and objectivity. We support ways to enhance these existing procedures, or new procedures to enhance auditor independence, as long as they are cost effective.

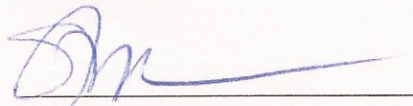
We appreciate the opportunity to respond and the willingness of the PCAOB board members to exchange views with issuers during the comment period.

Please contact us at (650) 589-9445 with any follow-up questions you may have on our comment letter.

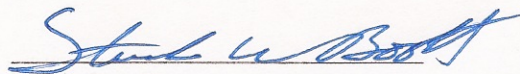
Sincerely,

Core-Mark International, Inc.

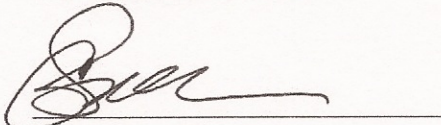
By:



Stacy Loretz-Congdon
Chief Financial Officer



Stuart Booth
Audit Committee Chairman



Christopher Miller
Chief Accounting Officer