

Alaska Air Group

December 6, 2012

Via email to comments@pcaobus.org

Office of the Secretary
PCAOB
1666 K Street, N.W.
Washington, D.C. 20006-2803

Subject: PCAOB Rulemaking Docket Matter No. 37

Alaska Air Group appreciates the opportunity to provide input on Public Company Accounting Oversight Board (“PCAOB”) Rulemaking Matter No. 37 – Concept regarding Auditor Independence and Audit Firm Rotation.

Alaska Air Group Inc. is the holding company for Alaska Airlines and Horizon Air, Seattle-based carriers that collectively serve over 90 destinations in the United States, Canada, and Mexico. I serve as Chair of the Audit Committee and Board Member. I am submitting this comment letter on behalf of the Audit Committee and Board of Directors.

We are strongly opposed to the proposal to require mandatory rotation of audit firms. While we agree that auditor independence is essential in providing an objective opinion on financial statements, we do not believe that this proposal furthers that objective. On the contrary, such a proposal could lead to decreased audit quality and would increase the cost. The following further outlines our concerns with mandatory audit firm rotation.

Lack of Cause and Effect – There is no convincing evidence that auditor rotation lessens the likelihood of audit failure. We have great concern that, in fact, mandatory auditor rotation could result in a degradation of audit quality. A change in auditors requires an extensive investment of time and a learning curve on the part of the audit firm. The historical knowledge as well as the understanding of company operations and industry expertise could be unduly lost by mandatory rotation. As outlined in the release, there are studies that cite that the risk of audit failure is higher in the first few years of an independent auditors’ tenure. It would seem that mandatory rotation runs counter to the interest of stakeholders who rely on the audit opinion.

Cost – While there may be debate about the benefit of mandatory audit rotation, there is no question that the cost of audits will increase. This cost will be manifested not only in the actual billings by audit firms but also by the time required by company personnel. Having

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been through changes in audit firms, we have first-hand experience with the startup time necessary when such a change is made. There are very valid reasons for a change in auditor that should not be deterred by cost but mandatory rotation without a commensurate benefit is not warranted.

Audit Committee Effectiveness – Changes made in recent years have made auditor oversight by the Audit Committee much more effective. We take this responsibility very seriously in exercising diligence over the selection and assessment of the audit firm including the objectivity and independence of the individual auditors as well as the Firm. We believe the responsibility for this oversight is appropriately placed in the current system of standards and regulations and that a mandatory rotation would actually serve to lessen our ability to effectively carry out these responsibilities.

We appreciate the opportunity to provide our comments and thank you for your consideration of our views.

Sincerely,



Patricia M. Bedient
Audit Committee Chair
Alaska Air Group

TLC // 2011-1206 PMB letter to PCAOB