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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.

Alliance One International, Inc. (“Alliance One”) is a global independent leaf tobacco merchant. Alliance One selects, purchases, processes, stores, packs and ships tobacco grown in more than 45 countries, serving manufacturers of cigarettes and other consumer tobacco products in more than 90 countries around the world.

Alliance One is a preparer of financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Alliance One is an accelerated filer whose common stock securities are registered on the New York Stock Exchange. We understand and affirm the importance of auditor independence, objectivity and skepticism for the proper functioning of the U.S. capital market and are supportive of the PCAOB’s desire to enhance the actual and perceived independence of auditors. However, we have seen no evidence to support the notion that audit quality would improve as the result of mandatory audit firm rotation, and in fact our experience suggests that mandatory rotation would negatively impact audit quality, as well as the efficiency of our business in the United States and around the world. Our view is shaped by four primary concerns.

1. First, and most importantly, we do not believe that abruptly changing the entire audit team experienced in auditing our financial statements will improve 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 our company would have to transfer between accounting firms. Like many other industries, the tobacco industry is highly complex, and we rely on a skilled independent audit team familiar with our industry and our business model to ensure careful and rigorous auditing of our processes. Therefore, the learning curve for new accounting firms 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. While we appreciate the benefits of partner rotation, we believe that this works only because the entire support system provided by the audit team remains in place.
2. Second, we note that large U.S. multinational companies like ours already must select from a limited number of independent registered public accounting firms with the international presence to support an effective audit. If audit firms were required to rotate from an engagement every five years, it is unlikely that any firm would be willing to make the significant investment necessary to support a thorough audit for multinationals doing business in markets around the world, and we believe that audit quality would suffer as a result. 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 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 they would likely continue to only consider using one the of “Big 4” if auditor rotation became mandatory. 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.
 3. Third, the regulatory requirements currently in place in the United States would create at least one significant unintended consequence if the PCAOB were to require audit firm rotation. In light of the prohibition on the provision of a wide range of services by the firm that audits a company's financial statements, mandatory audit firm rotation would require a company's incoming audit firm to withdraw from all such projects midstream. Like most multinational firms, we work with each of the Big Four accounting firms – Deloitte is our audit firm, and we engage KPMG, Ernst & Young, and PricewaterhouseCoopers to assist us with crucial projects that often span multiple years and involve great expense. Requiring us to rotate away from our current audit firm at a set interval would cause a significant ripple effect throughout our business, as our incoming audit firm would be required to withdraw immediately from ongoing projects. For time sensitive projects in particular, this could be extremely detrimental to our business.
 4. Fourth, we also have concerns related to the potential costs associated with the adoption of a mandatory audit rotation approach, and the distraction inherent in transitioning from one audit firm to the next. From a cost perspective, we believe that mandatory audit rotation will inevitably lead to higher audit fees. The GAO Report estimated that first-year audit-related costs would increase by as much as 102% as a result of an audit firm rotation. We are also concerned with the indirect costs associated with transitioning from one auditor to the next. We believe a public company’s accounting staff would be required to spend a considerable amount of time “educating” the new audit firm, which would result in less time devoted to evaluating the accounting impact of complex accounting transactions, identifying emerging business or accounting risks, and evaluating the sufficiency of disclosures.

For each of these reasons and in our view, the current audit oversight process works effectively and there is insufficient evidence to justify a mandatory audit firm rotation rule. Current audit partner rotation requirements involve fewer associated costs and risks and, in our view, effectively assure an appropriate degree of auditor independence and objectivity without the disruption and costs of audit firm rotation.

While our analysis and comments in this letter focused on mandatory audit rotation, we also understand the PCAOB is considering certain other alternatives. We have significant concerns related to the efficiency, effectiveness, and increased costs of joint audits. Consistent with our views related to mandatory auditor rotation, we have not seen any evidence to support the benefits of mandatory re-tendering to justify the time and effort required to undertake such an approach.

We also have concerns regarding the potential for requiring “audit-only” firms. We believe that currently permissible non-audit services provided by a financial statement auditor frequently provides the auditor with additional valuable insight into a company’s business and related risks. We believe the Sarbanes-Oxley Act of 2002 appropriately addressed concerns related to the scope of services provided by a financial statement auditor and have not seen any evidence to support the benefits of additional scope restrictions.

We thank you for the opportunity to comment on the concept release on auditor independence and audit firm rotation, and we welcome any questions or comments you may have. We remain available for further discussion at your convenience.

Sincerely,

/s/ B. Clyde Preslar
Audit Committee Chairman
Alliance One International, Inc.

/s/ Robert A. Sheets
Executive Vice President and Chief Financial Officer
Alliance One International, Inc.