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Charles D. McLane, Jr.
Executive Vice President and
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December 13, 2011

Office of the Secretary - PCAOB
1666 K Street N.W
Washington, D.C. 20006-2803
RE: PCAOB Rulemaking Docket Matter No. 37

Alcoa Inc. appreciates the opportunity to comment on the Public Company Accounting Oversight Board's ("PCAOB" or the "Board") concept release to solicit public comment on ways that auditor independence, objectivity and professional skepticism should be enhanced. Alcoa is a global company that operates in over 31 countries and is the world's leading producer of primary aluminum and fabricated aluminum, as well as the world's largest miner of bauxite and refiner of alumina.

Our specific comments on the concept release appear below. Overall, we do not agree with the proposals surrounding mandatory audit firm rotation. We feel strongly that the costs associated with such a change would far exceed any perceived benefits around independence and objectivity. In our view, we are not sure that any benefits have in fact been demonstrated.

In Alcoa's case, we have had a longstanding relationship with our external auditing firm. We find the current regulations surrounding mandatory audit partner rotation are sufficiently robust and encourage professional skepticism and independence. We are frequently challenged to vigorous debate on accounting topics, even with the audit firm being very familiar with our business. Historically these debates have been constructive and have lead to common resolution of such matters. We have recently undergone changes in the lead audit partner and have witnessed the extent to which he has challenged prior positions. We think it is premature of the PCAOB to discount the impact of this control and would expect that more evaluation be done in this area.

From a cost perspective, we would imagine that mandatory audit firm rotation would cause an increase in hours by the firm (additional costs to Alcoa) in order to develop permanent files on our business, process and accounting issues. This would result in an inefficient use of time for management and employees of Alcoa to re-explain issues that have already been documented. In addition, companies and auditors would incur additional costs related to the proposal process.

For a company of Alcoa's size and geographical breadth, there appear to be only four large firms that would have the capability to perform the necessary audit procedures. Current PCAOB rules include restrictions on the use of the attest firm for certain non-

audit services, and as such, we frequently use one of the other three firms when such needs arise. Having one of these firms become the audit firm will cause an increase in costs for non-audit services that would need to be transitioned as well. This lack of competition could lead to higher costs for Alcoa without increasing independence of the auditors.

We have a concern that quality may actually decline during years of transition, especially for global, complex companies. The cumulative knowledge and understanding of complex accounting matters reviewed in the past will be lost. Any global expertise may be fractured as well if the new auditors do not have a strong presence in a particular location.

Alcoa has a board of independent directors serving on the Audit Committee who provide oversight on such matters. They speak privately with the external auditors and the Audit Committee chairman also has direct communication with the engagement partner which does not involve Alcoa management. If an issue were to exist that would lead us to believe that we should change auditors due to lack of independence or objectivity, the decision should be made by the Audit Committee.

Please see the appendix after this letter for our responses to specific questions addressed in the release.

For these reasons and those detailed in the appendix, we urge the Board not to move forward with this concept release.

We again state our appreciation of the opportunity to comment on the concept release. Should the Board have any questions on any of the matters in this letter, please contact Graeme Bottger, Vice President and Controller at 412-553-2169.

Sincerely,

A handwritten signature in black ink, appearing to read "G. Bottger", written in a cursive style.

APPENDIX – RESPONSE TO SPECIFIC QUESTIONS

Response to General Issues

Should the Board focus on enhancing auditor independence, objectivity and professional skepticism? How significant are the problems in those areas relative to problems in other areas on which the Board might focus? Should the Board simply defer consideration of any proposals to enhance auditor independence, objectivity and professional skepticism?

Although we do not see significant problems in this area, we believe it is the responsibility of the Board to evaluate whether or not existing controls are in place which enhance auditor independence, objectivity and professional skepticism. However, the Board should focus on evaluating the impact of the provisions related to mandatory partner rotation and restriction of certain non-audit services by the audit firm. We feel that there would be strong evidence to show that these controls are in place and working effectively. The PCAOB's inspections should focus on audit quality without requiring rotations.

Would audit firm rotation enhance auditor independence, objectivity and professional skepticism?

We do not believe that audit firm rotation would necessarily enhance auditor independence, objectivity and professional skepticism. We believe that the required rotation of Audit Partners every five years has successfully enhanced auditor independence, objectivity and professional skepticism. We believe any perceived enhancements in these areas due to required rotation would be more than offset by declines in the quality of the audit over several years following the change. In our judgment, mandatory rotation may adversely impact audit quality.

What are the advantages and disadvantages of mandatory audit firm rotation? If there are potential disadvantages or unintended consequences, are there ways a rotation requirement could be structured to avoid or minimize them?

Advantages of mandatory audit firm rotation could be seen in an amicable handover of the client as compared to a normally contentious one in the current environment. However, this is overshadowed by the fact that many years of business, process and industry knowledge would be lost, thus resulting in additional costs to a company to bring the new auditor to the same level of understanding as the old.

Because there appears to be little or no relevant empirical data directly on mandatory rotation available, should the Board conduct a pilot program so that mandatory rotation of registered public accounting firms could be further studied before the Board determines whether to consider developing a more permanent requirement? How could such a program be structured?

We do not think that a pilot program could be conducted successfully, as it would be difficult to simulate an environment of mandatory rotation. We imagine that it would be very difficult to find a company to volunteer for such a program, due to cost and time constraints.

According to the 2003 GAO Report, large firms estimated that a rotation requirement would increase initial year audit costs by more than 20 percent. What effect would a rotation requirement have on audit costs? Are there other costs the Board should consider, such as the potential time and disruption impact on company financial reporting staff as a result of a change in auditors? Are there implementation steps that could be taken to mitigate costs? The Board is particularly interested in any relevant empirical data commenters can provide in this area.

Audit costs would increase based upon additional hours to document and understand complex internal control structures and document and approve accounting positions related to any matters in the current and comparative financial statement reporting periods. The company's financial reporting staff would also spend additional time explaining these systems, controls and issues which would take them away from day-to-day needs of the business. In addition, companies and auditors would incur additional costs related to the proposal process.

A 2003 report by the Conference Board Commission on Public Trust and Private Enterprise recommended that audit committees consider rotation when, among other factors, "the audit firm has been employed by the company for a substantial period of time— e.g., over 10 years. To what extent have audit committees considered implementing a policy of audit firm rotation? If audit committees have not considered implementing such a policy, why not? What have been the experiences of any audit committees that have implemented a policy of rotation?"

Our Audit Committee has held discussions with management regarding the implications of a change in auditors. Management has informed the Audit Committee that we believe the costs of a mandated rotation (either by policy or by regulation) would far outweigh the benefits. Concerns raised were related to a perceived decline in the quality of the audit in the first several years that a new firm performed the audit due to lack of company or business knowledge, and the expected increase in audit costs without any corresponding increase in quality.

Are there alternatives to mandatory rotation that the Board should consider that would meaningfully enhance auditor independence, objectivity and professional skepticism? For example, should broader alternatives be considered that relate to a company's requirement to obtain an audit, such as joint audits or a requirement for the audit committee to solicit bids on the audit after a certain number of years with the same auditor? Could audit committee oversight of the engagement be otherwise enhanced in a way that meaningfully improves auditor independence?

As mentioned above, we feel the mandatory partner rotation rules adequately address issues in this area and the Audit Committee oversight provides an independent voice in the process. The Audit Committee has the authority to solicit bids for a new firm should they, in fact, deem it appropriate; however, they should not be mandated to do so.

Should the Board continue to seek to address its concerns about independence, objectivity and professional skepticism through its current inspection program? Is there some enhanced or improved form of inspection that could better address the Board's concerns? If mandatory rotation were in place, could an enhanced inspection, perhaps focused particularly on professional skepticism, serve as a substitute in cases in which it would be unusually costly, disruptive or otherwise impracticable to rotate auditors?

We cannot comment in this area as we are not an audit firm.

Response to Specific Issues

Term of Engagement

1. If the Board determined to move forward with development of a rotation proposal, what would be an appropriate term length?

Although we do not agree with this concept, if the Board were to move forward, we believe the term should be a minimum of 10 years.

2. Should different term lengths for different kinds of engagements be considered? If so, what characteristics, such as client size or industry, should this differentiation be based on?

Although we do not agree with this concept, if the Board were to move forward, we do not think that there should be differences in this area.

3. Does audit effectiveness vary over an auditor's tenure on a particular engagement? For example, are auditors either more or less effective at the beginning of a new client relationship? If there is a "learning curve" before auditors can become effective, generally how long is it, and does it vary significantly by client type?

We have not experienced any lack of effectiveness with our audit process.

4. Some have also suggested that, in addition to being less effective at the beginning of an engagement, an auditor may be less diligent toward the end of the allowable term. On the other hand, others have suggested that auditors would be more diligent towards the end of the allowable term out of concern about what the replacement auditor might find. Would auditors become more or less diligent towards the end of their term? Does the answer depend on the length of the term?

We have not observed any instances where our auditors have been more or less diligent at one point in time compared to another.

5. How much time should be required before a rotated firm could return to an engagement?

Although we do not agree with this concept, if the Board were to move forward, we believe the time should be the same as that required by the initial period of rotation.

Scope of Potential Requirement

6. Should the Board consider requiring rotation for all issuer audits or just for some subset, such as audits of large issuers? Should the Board consider applying a rotation rule to some other subset of issuer audits? For example, are there reasons for applying a rotation requirement only to audits of companies in certain industries?

Although we do not agree with this concept, if the Board were to move forward, we believe the rotation requirement should apply to all issuer audits equally.

Transition and Implementation Considerations

7. To what extent would a rotation requirement limit a company's choice of an auditor? Are there specific industries or regions in which a rotation requirement would present particular difficulties in identifying an auditor with the necessary skills and expertise? Is it likely that some smaller audit firms might decide to leave the public company audit market due to the level of uncertainty regarding their ongoing client portfolios?

For large multinational companies, there is a lack of competition among firms capable of providing an adequate audit scope (financial and geographical). Alcoa has locations in some remote areas where not all firms are represented. This could cause issues for statutory reporting as well. We cannot comment on whether or not small firms would decide to leave the market.

8. If rotation would limit the choice of auditors, are there steps that could be taken to allow a company sufficient time to transition out of non-audit service arrangements with firms that could be engaged to perform the audit? Are there other steps that could be taken to address any limitation on auditor choice?

Although we do not agree with this concept, if the Board were to move forward, we believe there should be a one to two year "overlap" period for firms to complete existing non-audit services if they were engaged as the new audit firm. Non-audit services are often very specific and may not be easily transitioned, and any such transition would certainly result in additional costs paid by Alcoa for such services.

9. If rotation were required, would audit firms have the capacity to assign appropriately qualified personnel to new engagements? If they do not currently have that capacity,

could firms develop it in order to be able to compete for new clients, and would they do so?

We cannot comment in this area as we are not an audit firm.

10. Would rotation create unique challenges for audits of multinational companies? For voluntary rotations that have taken place, what have been the implementation and cost issues and how have they been managed?

We would expect a significant impact on statutory reporting, particularly if there were different rotation requirements by country. We have not experienced any voluntary rotations and cannot comment on such implementations. We do have concerns that rotation may adversely impact audit quality due to factors such as loss of cumulative knowledge.

11. Would increased frequency of auditor changes disrupt audit firms' operations or interfere with their ability to focus on performing high-quality audits? How would any such disruption vary by firm size? For example, would a rotation requirement pose fewer or more implementation issues for small firms than for large ones?

We cannot comment in this area as we are not an audit firm. However, we have concerns with the increase in costs.

12. Would audit firms respond to a rotation requirement by devoting fewer resources to improving the quality of their audits? Would firms focus more on non-audit services than on audit services?

We cannot comment in this area as we are not an audit firm.

13. Would rotation have any effect on the market for non-audit services? Would any such effect be harmful or beneficial to investors?

Rotation could have a serious impact on the market for non-audit services. Current PCAOB rules include restrictions on the use of the attest firm for non-audit services. As a large multinational, with only four audit firms to choose from that are capable of providing the services that we need, there is potential we could be using the other three firms in various capacities (tax, consulting, business valuation, etc.) and as such, would be precluded from using them as our auditors. We would imagine this to be harmful to investors as we could be restricted from using the "best" firm for our needs and thus increasing costs which are in effect profits that cannot be distributed to shareholders.

14. Some have expressed concern that rotation would lead to "opinion shopping," or that in competing for new engagements firms would offer favorable treatment. Others have suggested that rotation could be an antidote to opinion shopping because companies would know that they could not stick with a firm promising favorable treatment forever.

Would opinion shopping be more or less likely if rotation were required? If rotation limits auditor choice, could it at the same time increase opinion shopping?

We would not expect that opinion shopping would be more likely if rotation were required.

15. What effect would a rotation requirement have on competition for audit engagements? If competition would be increased, how might that affect audit quality?

We are currently limited to four large firms and do not imagine that others would be able to join the market due to the barriers to entry such as cost, industry expertise and geographical presence.

16. Are there any requirements the Board should consider to mitigate any risks posed by rotation? For example, are there enhancements to firms' quality control systems that might address such risks?

We cannot comment in this area as we are not an audit firm.

17. If the early years of an auditor-client relationship pose higher audit risks than later years, should the Board require firms to provide additional audit supervision and oversight in the first year or two of a new engagement? Should the Board impose such a requirement for auditor changes even if it does not further consider requiring audit firm rotation? If firms are accepting new clients but are unable to perform quality audits for them until several years have passed, should the Board require enhanced client acceptance procedures? What impact would additional requirements of this type have on audit costs?

The Board should not require firms to provide additional supervision and oversight for the first year or two of a new engagement due to the additional costs that would be passed along to the company being audited. Such a change should not be imposed, even in an environment of free rotation. Each firm should have the expertise to determine the staffing levels needed to adequately perform quality audits, resulting in an opinion on a client's financial statements.

18. If mandatory rotation were required, are existing standards relating to communications between predecessor and successor auditors sufficient? Should additional communications be required? For example, should the outgoing auditor provide the incoming auditor with a written report outlining audit risks and other important information about the company?

We cannot comment in this area as we are not an audit firm.

19. Are there other audit procedures that should be required to mitigate any risks posed by rotation?

We cannot comment in this area as we are not an audit firm.

20. If the Board moved forward with development of a rotation proposal, should consideration be given to the recommendation for a cause restriction on the company's ability to remove an auditor before the end of a fixed term? Would such a provision be useful? Would there be unintended consequences of such a requirement? Should the Board work with the SEC on implementation of this recommendation? Are there other matters on which the Board should coordinate with the SEC?

The Board should have a mechanism to allow a company to remove an auditor before the end of a fixed term due to unforeseen events or other issues.

21. What other transition issues might arise in the first year of a rotation requirement? How should the Board address these issues?

We do not have any additional comments to mention.