



July 22, 2011

Alcoa

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Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549-0213

Re: Staff Paper - Exploring a Possible Method of Incorporation of IFRS

Dear Sir/Madam:

Alcoa Inc. appreciates the opportunity to comment on the Staff Paper "Exploring a Possible Method of Incorporation" of International Financial Reporting Standards into the financial reporting system for US issuers. Alcoa is the world leader in the production and management of primary aluminum, fabricated aluminum and alumina combined. Alcoa is a global company that operates in over 34 countries. Almost half of our operations (on a revenue basis) currently prepare IFRS-based financial statements and almost all of our competitors file public financial statements using IFRS. Therefore, as mentioned in our response to the SEC's initial Roadmap in April 2009, we believe there are many benefits for us and for the users of our financial statements in utilizing one common set of accounting standards throughout our operations as well as reporting our results in a manner that is most comparable with our global competition.

Our specific comments on the Staff Paper appear below. In preface to that, we would say our overall view on the Paper is very positive and we believe it could achieve many of the benefits outlined in the Paper, with a manageable amount of risk. We would, however, encourage the Staff and the Commission (in the event the Commission decides to incorporate IFRS into the financial reporting system for US issuers) to combine a "condorsement" approach with an option for issuers to fully adopt IFRS at a date certain (the "big bang" approach) should they be prepared and willing to do so.

In Alcoa's case, as we have invested a considerable amount of time and resources in assisting our foreign locations in their conversion to IFRS or IFRS-like standards and in preparing for the potential incorporation of IFRS into our filings with the Commission, it might be our preference to simply adopt IFRS using a "big bang" approach. The attractiveness of that approach would be the ability to dedicate specific resources over a defined 2-3 year period as opposed to a somewhat fluid 5-7 year process as outlined in the Staff Paper. In addition to our point of view as preparers, we also believe the users of our financial statements would benefit as it is the most expedient approach to having our financial statements prepared on a comparable basis to our competitors.

That being said, we fully understand that not all large multinational companies share this view, let alone smaller, more domestically-based enterprises. Given this diversity of views, we find the flexible "condorsement" proposal outlined in the Staff Paper to be an

intriguingly practical approach to deal with the diverse impacts the potential adoption of IFRS will have on the overall preparer and user community.

Other Jurisdictions' Approaches

The issues and observations made in the Staff Paper with regard to other jurisdictions' approaches to IFRS adoption are very consistent with what we have observed at many of our foreign operations. For example, we have significant operations in Australia that have followed the Endorsement Approach. We also have equally significant operations in Brazil and Spain that have followed a Convergence Approach. Not surprisingly, the Endorsement Approach was easier to implement from a global perspective as the endorsed standards were well understood and, in the case of Australia, the differences were minimal. (For example, there were some initial differences between IFRS and "endorsed" Australian Accounting Standards (AIFRS) with AIFRS removing some of the options contained in IFRS. However, most of these options were subsequently reinstated into AIFRS by the Australian Accounting Standards Board.) The Convergence Approach, as would be expected, has some implementation difficulties as the distinction between the "converged" local standards and IFRS are not always clear (the devil frequently being in the details), particularly when there are language differences.

One item worth noting in the Convergence Approach is the situation that occurred in Brazil. The Brazilian accounting standards board (CPC) took the approach of reviewing and issuing the "new CPC's" over a period of a few years. However, the timeline for that review was not entirely clear at the outset and, as a result, there was some uncertainty as to what changes were going to be effective for each ensuing statutory reporting period. As we will mention again later, this underscores the need for a clear, concise and well thought out timeline under any type of "condorsement" approach. Both users and preparers need to be able to rely on that timeline to efficiently and effectively handle the change to the "condorsed" standards. Failure to closely follow an approved timeline will, at least in the short term, sub optimize the benefits to both preparers and users of the move to more global accounting standards.

The above being said, our experience has been, whether an Endorsement Approach or a Convergence Approach is utilized, the benefits of moving to more common global standards are very real and identifiable. As we centrally monitor all of these adoptions, we are able to ensure the most consistent applications of the standards is achieved (be they converged or endorsed). We are also able to more efficiently manage previously disparate processes (such as impairment testing) by performing them centrally as the accounting in those areas is now much more aligned between countries.

Framework

We agree with the position in the Staff Paper that a "condorsement" framework would be able to meet (in 5-7 years) the objective of achieving the goal of a single set of high-quality, globally accepted accounting standards, while doing so in a practical manner that could minimize cost and effort. It also is clearly in alignment with the approaches taken

in other jurisdictions by retaining a national standard setter's authority to establish accounting standards that ensures the needs of that jurisdiction's constituents are addressed. We agree the FASB is well equipped to fill the role of that national standard setter.

The risk identified in the Staff Paper of a US "flavor" of IFRS is very real. While the Staff believes modifications should be rare and generally avoidable, we believe to actually achieve this will require a considerable amount of discipline and willingness to endorse IFRS positions that may differ in an insignificant manner from what the FASB would arrive at on its own. In such cases, we believe the goal of common global accounting standards should "trump" the desire to fully customize IFRS standards to perceived local needs. While this is a very real risk, we do believe it is manageable with the appropriate oversight. In addition, even if the result is a slight US flavor of IFRS, we believe that "very closely aligned" global accounting standards is still a considerable improvement from existing circumstances, both for preparers and users.

Transition Element

As mentioned in the Staff Paper, should the Commission desire to pursue the framework or a similar approach, a top priority for the FASB (in consultation with the Staff) will be to develop a well thought out implementation plan and adhere to it. A major risk of the "condorsement" approach is the possibility of ever-changing and uncertain accounting standard development which will frustrate and confuse both preparers and users. While the shifting timelines of the major IASB/FASB convergence projects is, in our opinion, very understandable and warranted, the same cannot occur to the FASB's review of "Category 2" and particularly "Category 3" IFRS's. Those reviews need to have realistic and attainable timelines in order for financial statement issuers and users to be able to plan accordingly. We again point out the problems we have seen in other jurisdictions where the endorsement/convergence process was unclear and/or delayed. The resulting confusion and uncertainty mitigates many of the short term benefits of the conversion and will add to the cost of implementation.

We find the three categories of IFRSs to be very appropriate and logical. We also strongly support the Staff's suggestion of prospective application whenever possible. We believe this would be a significant step in reducing the conversion cost for many companies and, when used in the right circumstances, would not greatly diminish the usefulness of the resulting financial statements.

Benefits and Risks

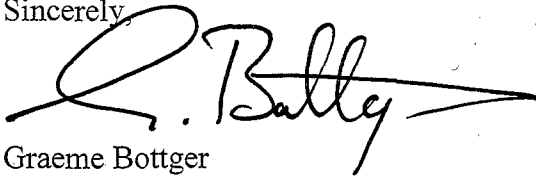
The benefits and risks of the "condorsement" framework identified in the Staff Paper are, in our view, appropriate and comprehensive. A flexible, tailored transition strategy that provides for gradual implementation would avoid the costs for many issuers of a "big bang" approach to adoption. The Staff also appropriately points out that a "big bang" approach may be preferable for some large multinational corporations with foreign

subsidiaries (like Alcoa). Although we ourselves have not concluded whether we would avail ourselves of the opportunity to use a "big bang" adoption, we do believe the availability of such an option is very desirable and will be beneficial in many circumstances, both to preparers and users. While acknowledging that a "big bang" option is not a focus of the Staff Paper, we would comment that such an option would, like the "condorsement" approach, need to be well thought out. The identification of which IFRS to use (IFRS as issued by the IASB or IFRS as endorsed at that point in time by the FASB) will obviously be important as will the sequencing of Category 3 standards to ensure that major changes to US GAAP/IFRS (such as LIFO usage and the treatment of research and development costs) are identified prior to any "big bang" implementation. Should the Staff desire to explore these issues further, we are available to discuss the nuances of this at the Staff's convenience.

We again state our appreciation of the opportunity to comment on this Paper. We find the Staff Paper to be a very well thought out approach to a very complicated and critical set of issues. The Paper does a very good job of identifying the various barriers and challenges to incorporating IFRS into the US financial reporting system and proposing very practical approaches to addressing those barriers and challenges. We strongly support the direction outlined in this paper as we do the overall goal of incorporating IFRS into the US financial system.

Again, we are available at the Staff's convenience to discuss further any aspect of this response.

Sincerely,

A handwritten signature in black ink, appearing to read "G. Bottger", with a long horizontal flourish extending to the right.

Graeme Bottger
Vice President and Controller