



**Alcoa**

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Elizabeth M. Murphy  
Secretary  
U.S. Securities and Exchange Commission  
100 F. Street, N.E.  
Washington, DC 20549-1090  
By email: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

**Proposed Rule Change to NYSE Rule 452, File No. SR-NYSE-2006-92**

Dear Ms. Murphy:

On behalf of Alcoa Inc., I am writing to comment on the proposal by the New York Stock Exchange ("NYSE") to amend NYSE Rule 452 to eliminate broker discretionary voting in the election of directors.

We believe the Securities and Exchange Commission ("SEC") should consider changing Rule 452 only in the context of an overall review of shareholder voting and communication issues. We believe the interests of individual investors will not be served by implementing a change to Rule 452 without considering other critical issues in the director election system. Our concerns are summarized below.

1. We plan to adopt notice and access (e-proxy) in 2010 in an effort to reduce the financial and environmental costs of printing and mailing about 225,000 proxy statements and annual reports to shareholders. However, we are aware that other companies who have adopted the e-proxy system of voting have experienced a significant decrease in votes by individual shareholders. Implementing the change to Rule 452 at this time before the electronic voting process has become accepted will contribute to the steep decline in participation by individual shareholders.
2. We believe a significant portion of individual shareholders will be disenfranchised by the proposed rule change simply because they believe their brokers will vote for them if they don't respond to a proxy solicitation—and most of them intend to vote with the board's recommendations for director nominees in uncontested elections in any event. A study appended to the NYSE rule filing indicates that 37% of shareholders appear to be aware that if they don't vote on routine matters, their broker will vote for them and 27% appear to be aware that their brokers will vote in accordance with the company's recommendations. Broadridge Financial Solutions, Inc., estimates that in 2007, more than 98% of individual shareholders who provided voting instructions to their brokers supported the company's nominees for director.

3. Many companies, including Alcoa, have adopted some form of majority voting standard in uncontested director elections. This standard increases the need for shareholders to vote in uncontested elections so that a company will be able to constitute a board of directors following an election. Eliminating the broker discretionary vote will likely reduce the number of votes cast for the election of directors because many individual shareholders do not instruct their brokers how to vote. Adoption of this rule would therefore increase the risk of failed elections in situations where the shareholders have not proposed alternative candidates but then do not vote for the candidates proposed by the board of directors.
4. We believe that eliminating the brokers' discretionary vote in uncontested elections will reduce the influence of individual shareholders in such elections and result in a concentration of voting power, in our case, in the hands of one largely unregulated proxy advisory firm who influences the vote, or actually votes on behalf, of a number of our institutional investors. See "Voting Integrity: Practices for Investors and the Global Proxy Advisory Industry," available at <http://millstein.som.yale.edu>.
5. Shareholders who hold an economic stake in the success of a company need to know whether the election of directors to manage the affairs of a company is being influenced by those who hold voting rights but do not have an economic stake in the success of the company. In addition to proxy advisory firms who influence the vote but hold no economic stake in the success of the company, in recent years voting rights have become decoupled from economic interests through the use of non-transparent arrangements or financial instruments. The potential for voting manipulation associated with the de-coupling of voting rights and economic interests in unregulated non-transparent transactions should also be considered in the context of changing director voting rules.
6. We are concerned that a number of our individual shareholders do not vote, yet we have no right to communicate with them directly if they are not registered shareholders and choose not to identify themselves to us. By continuing the distinction between NOBOs (non-objecting beneficial owners) and OBOs (objecting beneficial owners who refuse to identify themselves to companies), it is impossible for us to communicate with OBOs who do not provide voting instructions to their brokers. Eliminating the OBO rule should be considered so that companies can communicate with their shareholders. Being able to communicate with our shareholders becomes even more critical if Rule 452 is amended to eliminate brokers' discretion to vote in uncontested director elections.
7. The proposed amendment to Rule 452 exempts funds registered under the Investment Company Act of 1940, based in part on the expected increase in the cost of proxy solicitations and the difficulty of completing an election under the proposed rule change. It is not clear why one group of issuers should bear increased proxy solicitation costs and an increased risk of failed elections, while others do not. Nor is it clear that if this rule change is being proposed because it is believed to be of benefit to individual shareholders, why should issuers with the largest proportion of individual shareholders be exempt from it?

8. The predecessor to Rule 452 dates back to 1937. There should be no rush to change it without careful consideration of the impact of other developments noted above with regard to director elections. This proposed rule change is similar to elimination of the uptick rule in 2007, which had been in place since 1938. Unforeseen consequences can arise if a rule that has been in place for many years is changed without fully considering the possible consequences in the context of other developments.

For the reasons set forth above, we urge the SEC to undertake a comprehensive review of proxy voting and shareholder communication issues and to refrain from considering broker discretionary voting in isolation. We suggest that the SEC extend the comment period to provide adequate time to consider these important issues that are critical to the integrity of the voting process.

Best regards,



Donna Dabney