



December 14, 2011

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

Re: Concept Release on Auditor Independence and Audit Firm Rotation, PCAOB Rulemaking
Docket Matter No. 37

On behalf of NACCO Industries, Inc. (the “Company”), we are pleased to respond to the request for comments from the Public Company Accounting Oversight Board (“PCAOB”) on its Concept Release on Auditor Independence and Audit Firm Rotation (the “Concept Release”). Although we support the continued efforts of the PCAOB to enhance auditor independence, objectivity and professional skepticism, we respectfully do not support the proposal for mandatory audit firm rotation. We believe implementing such a requirement may bring about unintended consequences, such as the potential for decreasing audit quality, increasing costs and limiting the availability of the most qualified firms for audit, tax, transactional support and other services.

We believe mandatory audit firm rotation would make it more difficult for audit firms to build the necessary expertise and understanding of the complexities of multinational, multi-segment companies at the beginning of their audit. The institutional knowledge gained over a significant period of time regarding complex systems, organizational structures and industry practices significantly enhances audit quality. Mandating auditor rotation would likely lead to the loss of extensive knowledge about the Company and its industries and would result in a decline in the effectiveness and efficiency of the audit. Audit risk also could be higher at the end of an audit rotation period as well if companies are distracted with planning for the transition to the new audit firm and the audit firm being replaced is focused on the next post-rotation assignment. These distractions could affect both audit quality and a company’s planned transactions or activities at the time a mandatory auditor rotation occurs. At a time when audits are becoming more complex, we believe these challenges would have negative implications for audit quality, investor protection and the integrity of the financial system.

Mandatory audit firm rotation would also be costly. For each change, additional time and expense would be required to evaluate audit firms, provide successor firms with information needed to plan their audits, and support the new audit firm and engagement team while they gain an understanding of the company and its operations. These costs escalate when companies have many locations or operate in many different countries.

During the period from 1989 to 2011, the Company changed audit firms twice. In both instances, the Company incurred additional time and effort as well as incremental internal costs to support these rotations. In addition, the Company has witnessed the extreme challenges

during the first few years of an engagement for an audit team to learn the complexities of a new multinational, multi-segment audit client.

Additionally, many multinational companies have addressed the provisions of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley") by turning to firms other than their audit firm for tax, transactional support and other services. Since the introduction of Sarbanes-Oxley, the Audit Review Committee of the Company has maintained a policy that further restricts the use of the Company's audit firm for tax and other non-audit services beyond that required by Sarbanes-Oxley. This has resulted in the engagement of other large multinational audit firms to perform the services which can no longer be performed by our audit firm. Under the current provisions of Sarbanes-Oxley, a mandatory rotation of audit firms would likely require the Audit Review Committee and the Company to change the providers of these other services to maintain the independence of potential future audit firms for the next audit rotation. This limitation would be particularly challenging for multinational companies and those in specialized industries where there is a limited pool of the most qualified tax, transactional support and other service providers.

We believe the existing requirements put in place under the provisions of Sarbanes-Oxley are adequate and have already addressed many of the concerns in the subject Concept Release. These items include the independence and increased role and communication of audit committees, the PCAOB inspection process and mandatory partner rotation. In addition, many of these elements continue to evolve in practice and additional time will be needed to assess their effectiveness.

While we continue to support the effort by the PCAOB to enhance audit quality, we do not believe mandating audit firm rotation would be a positive step in achieving this.

Thank you for the opportunity to comment on the proposal.

Regards,



Alfred M. Rankin, Jr.
Chairman, President and Chief Executive Officer



Kenneth C. Schilling
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