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June 13, 2006

1025-300

LETTER OF COMMENT NO. 235

Ms. Suzanne Q. Bielstein
Director – Major Projects and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Re: Exposure Draft
Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans
File Reference No. 1025-300

Dear Ms. Bielstein,

We are pleased to provide you with our comments on the Financial Accounting Standards Board's Exposure Draft on Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R). As a result of the proposed Statement, which was issued on March 31, 2006, the financial reporting for defined benefit postretirement plans is intended to be more complete as the funded status of such plans will be recognized on the balance sheet.

Alcan's Corporate Profile

Alcan (the "Company") is a global leader with world-class technology and operations in bauxite mining, alumina processing, primary metal smelting, power generation, aluminum fabrication, engineered solutions as well as flexible and specialty packaging. Alcan has 65,000 employees in 59 countries and regions. With its head office in Montreal, Canada, Alcan is a public company traded on the Toronto, New York, London, Paris and Swiss stock exchanges with 2005 revenues of US$20.3 billion.

Summary of Alcan's Comments and Recommendations

We support the Board's efforts to improve the clarity and transparency of financial reporting of defined benefit pension and other postretirement plans and generally support the proposals in the Exposure Draft. However, we are concerned about the Board's decision to address this topic in two phases and believe that the Exposure Draft, in its current form, unnecessarily increases the implementation burden of the proposed Statement by requiring retrospective application.

While we understand the Board's rationale for dividing the project into two phases, we are concerned that the discussions and deliberations during phase two, with its objective of a comprehensive reconsideration of all elements of accounting for postretirement benefits, may change some of the decisions reached in phase one. We recommend that the Board address all issues related to accounting for postretirement benefits in conjunction with the International Accounting Standards Board and issue a single, comprehensive standard. We believe that this approach will make it easier for both the users and preparers of financial statements as there will be one set of changes only. During the interim period, the funded status of the post-retirement benefit plans is already disclosed in the notes to the financial statements.

In addition, we believe that the costs of retrospective application outweigh the benefits. The Company has undergone several major transactions during the past few years, such as the acquisition of Pechiney and the spin-off of its rolled-products business into Novelis. Retrospective application that extends to selected financial data in the Company's eleven-year summary would be very time consuming and provide limited benefits in terms of comparability and trend analysis. We recommend that the proposed Statement be applied on a prospective basis or that if retrospective application is confirmed, that it be restricted to those periods for which full financial statements are presented and that the effective date of the Statement be deferred to fiscal years beginning after December 15, 2006.

Specific Responses to Issues Raised by the Board in the Exposure Draft

The Notice for Recipients of This Exposure Draft sets forth five issues and requests comment on the resolution of the issues. Our comments on the specific issues identified by the Board are as follows:

Issue 1: *The Board concluded that the costs of implementing the proposed requirement to recognize the overfunded or underfunded status of a defined benefit postretirement plan in the employer's statement of financial position would not be significant. That is because the amounts that would be recognized are presently required to be disclosed in notes to financial statements and, therefore, new information or new computations, other than those related to income tax effects, would not be required.*
Do you agree that implementation of this proposed Statement would not require information (other than that related to income tax effects) that is not already available, and, therefore, the costs of implementation would not be significant? Why or why not? (See paragraphs B20-B34 for the basis for the Board's conclusions.)

We generally agree that the implementation of this proposed Statement would not require information that is not already available, other than that related to income tax effects and interim periods. However, it is unclear as to which prior periods retrospective application applies. The costs to retrospectively apply the proposed Statement to all prior periods are significant since the financial statement changes will affect many of the notes, as well as the eleven-year summary and quarterly information. In addition, a significant amount of effort will be required to assess the realizability of the additional deferred tax assets and the requirement for a valuation allowance.

Issue 2: *Unless a plan is sponsored by a subsidiary that is consolidated using a fiscal period that differs from the parent's, this proposed Statement would require that plan assets and benefit obligations be measured as of the date of the employer's statement of financial position. This proposed Statement would eliminate the provisions in Statements 87 and 106 that permit measurement as of a date that is not more than three months earlier than the date of the employer's statement on financial position.*
Are there any specific implementation issues associated with this requirement that differ significantly from the issues that apply to other assets and liabilities that are recognized as of the date of the statement of financial position? (See paragraphs B36-B40 for the basis for the Board's conclusions.)

This issue does not significantly impact the Company and therefore, it has no comment to make on this issue.

Issue 3(a): *The Board's goal is to issue a final Statement by September 2006. The proposed requirement to recognize the over- or underfunded statuses of defined benefit postretirement plans would be effective for fiscal years ending after December 15, 2006. Retrospective application would be required unless it is deemed impracticable for the reason discussed below.*
An entity would be exempt from retrospective application only if the entity determines that it is impracticable to assess the realizability of deferred tax assets that would be recognized in prior periods as a result of applying the proposed Statement.
Should the Board provide an impracticability exemption related to the assessment of the realizability of deferred tax assets? Why or why not? Are there other reasons that retrospective application might be impracticable that the Board should be aware of? (See paragraphs B61-B64 for the basis of the Board's conclusions.)

The Company agrees that the Board should provide an impracticability exemption related to the assessment of the realizability of deferred tax assets. The determination of the amount of a valuation allowance with respect to deferred tax assets for prior periods is a time-consuming task.

Issue 3(b): *Some nonpublic entities (and possibly some public entities) may have contractual arrangements other than debt covenants that reference metrics based on financial statement amounts, such as book value, return-on-equity, and debt-to-equity. The calculations of those metrics are affected by most new accounting standards, including this proposed Statement.*
The Board is interested in gathering information for use in determining the time required to implement this proposed Statement by entities that have such arrangements other than debt covenants. That information includes (a) the types of contractual arrangements that would be affected and what changes to those arrangements, if any, would need to be considered, (b) how the economic status of postretirement plans that is presently included in note disclosures is currently considered in those arrangements, and (c) how the effects of the current requirement in Statement 87 to recognize a minimum pension liability previously were addressed for those contractual arrangements. (See paragraph B65 for the basis of the Board's conclusions.)

At this time, the Company does not believe that there are any contractual arrangements, other than debt covenants, that would be affected by the implementation of the proposed Statement. In Alcan's case, the credit-rating agencies already adjust their metrics to reflect the funded status of post-retirement benefit plans.

Issue 4: *This proposed Statement would require a public entity that currently measures plan assets and benefit obligations as of a date other than the date of its statement of financial position to implement the change in measurement date as of the beginning of the fiscal year beginning after December 15, 2006. If that entity enters into a transaction that results in a settlement or experiences an event that causes a curtailment in the last quarter of the fiscal year ending after December 15, 2006, the gain or loss would be recognized in earnings in that quarter. Net periodic benefit cost in the year in which the measurement date is changed would be based on measurements as of the beginning of that year.*
Are there any specific impediments to implementation that would make the proposed effective date impracticable for a public entity? How would a delay in implementation to fiscal years ending after December 15, 2007, alleviate those impediments? (See paragraphs B66 – B69 for the basis of the Board's conclusions.)

As mentioned above, this issue does not significantly impact the Company.

Issue 5: *This proposed Statement would apply to not-for-profit organizations and other entities that do not report other comprehensive income in accordance with the provisions of FASB Statement No. 130, Reporting Comprehensive Income. Paragraphs 7-13 of this proposed Statement provide guidance for reporting the actuarial gains and losses and the prior service costs and credits by those organizations and entities.*
Do you agree that those standards provide appropriate guidance for such entities? If no, what additional guidance should be provided? (See paragraphs B53-B58 for the basis of the Board's conclusions.)

The Company has no comment to make on this issue.

Conclusion

Alcan is pleased to have had the opportunity to comment on the proposed Statement. In concluding, we recommend that the Board address all issues related to accounting for postretirement benefits in conjunction with the International Accounting Standards Board and issue a single, comprehensive standard. If you have any questions concerning our response, please do not hesitate to call the undersigned.

Yours very truly,

Cesidio Ricci
Vice President and Controller

Cc:

Michael Hanley
Executive Vice President and Chief Financial Officer

John Campbell
PricewaterhouseCoopers