

CLIFFS NATURAL RESOURCES INC. 200 Public Square, Suite 3300, Cleveland, OH 44114-2315 P 216.694.5700 cliffsnaturalresources.com

January 27, 2011

Ms. Leslie F. Seidman Acting Chairman Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Re: File Reference No. 1890-100; FASB Discussion Paper – Effective Dates and Transition Methods

Ladies and Gentlemen:

Cliffs Natural Resources Inc., an Ohio corporation (collectively, the "<u>Company</u>" or "<u>we</u>," "<u>us</u>" or "<u>our</u>"), is submitting this letter in response to the Discussion Paper issued by the Financial Accounting Standards Board (the "<u>FASB</u>") regarding effective dates and transition methods, dated October 19, 2010 (the "Discussion Paper").

We appreciate the opportunity to provide comments on the Discussion Paper. It is difficult to accurately assess the time and resources needed to comply with the new standards as the standards have not been issued and may change significantly from the exposure drafts referenced in the discussion paper. However, considering the breadth and extent of the proposed changes, it is safe to say that the cost in time, effort, and capital will be substantial. The proposed changes go far beyond international convergence and represent a fundamental change in the manner in which financial information is collected, aggregated and reported to stakeholders. Change of the magnitude proposed will impact accounting systems, accounting personnel and a broad range of stakeholders both inside and outside the Company. The proposed changes will require significant amounts of internal training. However, training will not be limited to internal personnel. In addition, the Company will have to explain the new financial information to shareholders, analysts, and bankers, among other users of the Company's financial statements. It is important to note that while the convergence projects have been well communicated within the accounting profession, many outside the profession are unaware of the timing and extent of the proposed changes. Educating financial statement users on how to use financial information in the new format as well as bridging the old presentation to the new presentation will be challenging and require significant time and effort. As such, we recommend implementing the proposed changes carefully over time in manageable portions.

Below are the Company's responses to selected questions within the Discussion Paper that were deemed relevant and material to the Company. For the convenience of the FASB, we have repeated each of the selected questions from the Discussion Paper before the corresponding response.

- Q1. Please describe the entity (or the individual) responding to this Discussion Paper. For example:
 - a. Please indicate whether you are primarily a preparer of financial statements, an auditor, or an investor, creditor, or other user of financial statements (such as a regulator). Please also indicate whether you primarily prepare, use, or audit financial information prepared in accordance with U.S. GAAP, IFRSs, or both.
 - b. If you are a preparer of financial statements, please describe your primary business or businesses, their size (in terms of the number of employees or other relevant metric), and whether you have securities registered on a securities exchange.
 - c. If you are an auditor, please indicate the size of your firm and whether your practice focuses primarily on public companies, private entities, or both.
 - d. If you are an investor, creditor, or other user of financial statements, please describe your job function (buy side/sell side/regulator/credit analyst/lending officer), your investment perspective (long, long/short, equity, or fixed income), and the industries or sectors you specialize in, if any.
 - e. Please describe the degree to which each of the proposed new standards will likely affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions to their business and investors might explain the significance of the transactions to the particular industries or sectors they follow).

<u>Response</u>: Cliffs Natural Resources Inc. is providing comments on the Discussion Paper as a preparer of financial statements. Our consolidated financial statements are prepared in accordance with U.S. GAAP.

Cliffs Natural Resources Inc. is an international mining and natural resources company. We are the largest producer of iron ore pellets in North America, a major supplier of direct-shipping lump and fines iron ore out of Australia, and a significant producer of metallurgical coal. Our company's operations are organized according to product category and geographic location: North American Iron Ore, North American Coal, Asia Pacific Iron Ore, Asia Pacific Coal, Latin American Iron Ore, Ferroalloys and our Global Exploration Group.

We are a public company and a member of the S&P 500 Index. Our common shares (ticker symbol CLF) are registered on the New York Stock Exchange and the Professional Segment of NYSE Euronext Paris. In 2009, our Company was comprised of approximately 5,400 employees, and we reported annual revenues from product sales and services of approximately \$2.3 billion. As of the date of this letter, our market capitalization is approximately \$11.6 billion.

- Q2. Focusing only on those proposals that have been published as Exposure Drafts (accounting for financial instruments, other comprehensive income, revenue recognition, and leases):
 - a. How much time will you need to learn about each proposal, appropriately train personnel, plan for, and implement or otherwise adapt to each the new standard?
 - b. What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

Response: The time and effort required to understand the individual proposals and prepare and implement an appropriate training plan for personnel will be significant. Planning and implementing the proposals will involve similar challenges. The challenges increase significantly if the proposals are implemented concurrently or over a short time span. When considered together, the proposed changes will challenge internal resources such as information technology, planning, operations, and accounting and will significantly impact current priorities. At the same time internal resources are being stressed, competition for external resources will increase. The resulting decreased availability of consulting services drive up costs for external assistance.

Implementing the proposed changes will require the establishment of new processes and internal controls. Costs involved in implementing the proposed changes vary dependent on the proposal. Direct costs of implementation include upgrades and changes to accounting systems, increases in personnel, outside consultants, and training. Indirect costs include internal control reviews, updating internal processes, and communication with outside stakeholders. In the short term, the proposed changes are likely to lead to increased audit costs as well, as external auditors review the transition and the new presentation of financial information. The implementation timeline will also impact costs. As the timeline is compressed, internal bandwidth will be challenged and the use of external resources will increase.

Q3. Do you foresee other effects on the broader financial reporting system arising from these new standards? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

Response: An international company is already subject to reporting financial information in formats other than US GAAP. These formats include local accounting standards for

statutory filings and tax standards that vary by local jurisdiction. As the new accounting standards are implemented, regulatory and tax filing requirements must be assessed in each jurisdiction to identify differences. Current procedures and internal controls must be reassessed to assure that the impact of the changes is addressed. The regulators and taxing agencies represent another group of stakeholders that are users of financial statements. As the FASB develops its implementation timeline, consideration should be given to the specific challenges presented by statutory and taxing agency stakeholders. As governmental entities, these stakeholders will require time to assess and adjust to changes in financial statement presentation. A compressed timeline will increase the likelihood of conflicts and misunderstandings which will lead to increased costs.

Changes in auditing practices are more likely than changes in auditing standards. As noted in our answer to question 2, both internal and external auditors are likely to perform additional procedures during the transition period.

Q4. In the context of a broad implementation plan covering all the new requirements, do you agree with the transition method as proposed for each project? If not, what changes would you recommend and why? In particular, please explain the primary advantages of your recommended changes and their affect on the cost of adapting to the new reporting requirements.

Response: Most projects propose retrospective implementation which will result in increased time, effort and costs. In the case on long term contracts and leases, a prospective approach would achieve the same results over time while significantly decreasing costs. A retrospective approach will require companies to reassess prior period accounting treatment of long term contracts and leases. This process will be time consuming, costly and will provide little benefit to the financial statement users. In the case of leases, a prospective treatment would effectively create a new class of lease in the short term while leaving existing leases unchanged. A compromise may be to treat leases greater than 5 years retrospectively and shorter term leases prospectively. Once again, a compressed timeline will increase the challenges presented by the retrospective implementation approach. Considering the breadth and extent of the changes proposed, we propose favoring prospective implementation where possible.

- Q5. In thinking about an overall implementation plan covering all of the standards that are the subject of this Discussion Paper:
 - a. Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimize the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimizing disruption, or other synergistic benefits).
 - b. Under a single date approach, what should the mandatory effective date be and why?

- c. Under the sequential approach, how should the new standards be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new standards.
- d. Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.

Response: We prefer a sequential date approach. The projects addressed by this exposure draft are diverse and not significantly interrelated. As such, there does not appear to be a compelling reason to adopt the single date approach. In addition, a single date approach will challenge internal resources and increase implementation costs. As noted in our opening comment, the proposed changes represent a fundamental change in the manner in which financial information is collected, aggregated and reported to stakeholders. We recommend a careful and measured approach which includes an extended timeline and sequential implementation dates.

We appreciate the opportunity to provide our comments and would be pleased to discuss them with you at your convenience.

If you have any questions regarding these matters, please do not hesitate to contact the undersigned at 216-694-5282 or by facsimile at 216-694-5382.

Sincerely

Terrance M. Paradie

Vice President – Corporate Controller and Chief Accounting Officer