November 21, 2011

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

Re: PCAOB Rulemaking Docket Matter No. 37

Dear Board Members:

At the request of the Audit Committee of the Board of Directors of Libbey Inc., I am writing this letter in response to PCAOB Rulemaking Docket Matter No. 37, Concept Release on Auditor Independence and Audit Firm Rotation issued by the Public Company Accounting and Oversight Board ("PCAOB") on August 16, 2011. We appreciate the opportunity to provide our views with respect to this important subject.

As an initial matter, we note that the U.S. Chamber of Commerce (the "Chamber") Center for Capital Markets Competitiveness has responded to the Concept Release by submitting a comment letter that raises a number of points with which we agree. However, rather than repeat each point that the Chamber expressed and with which we agree, this letter will focus on three key reasons why we believe that the proposal for mandatory audit firm rotation is misguided and detrimental to the interests of Libbey and its shareholders.

1. Auditors who are new to a public company client and therefore have limited, if any, understanding of the public company’s business model, business processes, internal controls and historical accounting practices are handicapped from the outset in appropriately evaluating the reasonableness of judgments made by management personnel applying complex accounting principles to complex accounting transactions. As a result, we believe that mandatory audit firm rotation would create significant risk that the new auditors’ resulting lack of the foundational knowledge that is essential to the effective use of professional skepticism will impact audit quality to the detriment of the public company client and its shareholders. The risk of harm to the public company client and its shareholders is likely to be magnified significantly if the new audit firm has limited or no expertise in the industry in which the public company client does business, or if the mandatory audit firm rotation occurs shortly after the public company has completed a transaction to which unusual and complex accounting principles apply.
2. We also believe that mandatory audit firm rotation inevitably will result in increased audit fees payable by public companies, as audit firms no doubt will pass on to their public company clients costs incurred by the audit firms in scaling the learning curve associated with each new engagement that they undertake. To the extent audit firms must become expert in industries in which they previously lacked expertise, the costs passed on to their clients will be even more significant. In addition, public company clients (and, as a result, their shareholders) will incur significant additional financial, human resource and opportunity costs as the attention of management and other employees is diverted from running the business of the company to answering questions posed by new auditors who have limited knowledge of the company’s business, business processes, internal controls and historical accounting practices. Every public company already incurs these costs when a single member of the audit team, all the way up to the engagement partner, either leaves the audit firm or is reassigned to another audit engagement. However, when the entire audit firm rotates off the public company’s account, the magnitude of the potential additional costs resulting from the loss of institutional knowledge is likely to be substantial. Because micro-cap and small-cap public companies tend to have limited internal resources, the drain on those internal resources resulting from the new audit firm’s efforts to scale the learning curve may be significant and may prevent micro-cap and small-cap companies from doing what their investors most desire: growing and increasing shareholder value.

3. The audit committee of a public company’s board of directors is knowledgeable about the company’s business, business practices, internal controls and historical accounting practices. In addition, the audit committee meets periodically in executive session with the company’s external audit firm. As a result, the audit committee is in the best position to determine whether the company’s external auditors are exercising appropriate professional skepticism and therefore whether a change in audit firms is in the best interests of the company and its shareholders.

In conclusion, we question the fundamental premise underlying the proposal advanced by the Concept Release – namely, that mandatory audit firm rotation will lead to increased professional skepticism that in turn will provide a benefit to investors that outweighs the substantial additional costs that public companies and their shareholders will incur. We also believe that a one-size-fits-all approach mandating periodic audit firm rotation not only is unnecessary, but also intrudes unnecessarily in matters best addressed by public company audit committees and boards of directors.

Sincerely,

Richard I. Reynolds
Executive Vice President and Chief Financial Officer

cc: William A. Foley, Chairman of the Board
Carlos V. Duno, Chair, Audit Committee
Stephanie A. Streeter, Chief Executive Officer