



December 9, 2011

Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, D.C. 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 37

Dear Board Members:

I write this letter as Chairman of the Audit Committee and on behalf of the Board of Directors of Avis Budget Group, Inc. Avis Budget Group is a leading global provider of vehicle rental services, generates \$7 billion in annual revenue, is incorporated and headquartered in the United States, and is a NASDAQ-listed company. My purpose in writing this letter is to respond to the Concept Release on Auditor Independence and Audit Firm Rotation (the "Proposal") issued by the PCAOB.

At Avis Budget Group, we recognize the importance of auditor independence and audit quality, and we do not believe that imposing a regulatory limitation on audit engagement will enhance these important objectives. In fact, we believe a limitation on audit engagement length will most likely impede audit quality and would definitely impose significant incremental costs on public companies without offering sufficient offsetting benefits.

## **I. Auditor Independence and Audit Quality**

As many commentators have already noted, there is simply no reliable or convincing evidence that mandatory audit firm rotation would actually enhance or improve auditor independence and audit quality. The Proposal alleges the existence of certain audit deficiencies or risks; it neither identifies the root cause of such deficiencies, nor contains evidence that mandatory audit firm rotation would have remedied such deficiencies, nor demonstrates that audit firm rotation would provide benefits that would justify the meaningful incremental costs that public companies would need to incur. We believe these shortcomings in the Proposal are indicative of inadequate justification for the idea of adding a mandatory audit firm rotation to the already significant litany of requirements already imposed on public companies.

Fortunately, we believe, existing regulations effectively address audit quality and independence concerns:

- Companies are required to rotate lead partners every five years, pursuant to Section 203 of the Sarbanes-Oxley Act of 2002 ("SOx"). Such rotation sufficiently achieves the intended benefit of the "fresh perspective" that mandatory firm rotation is purported to provide.

- SOx requires audit committees to approve all services provided by the auditor and the SEC has issued rules relevant to audit committee oversight responsibilities regarding audit firm independence, which we believe ensures that auditors are independent of the companies they audit.
- And SOx created the PCAOB to oversee and conduct inspections of auditors of public companies to further the public interest in the preparation of informative, accurate and independent audit reports, which we believe should be effective regardless of how long the audit firm has been engaged.

More importantly, SOx gives the audit committee of public companies the authority and responsibility to hire, compensate and oversee the audit firm that serves as the company's auditor of record. The Audit Committee of our Company is more than capable of fulfilling its responsibilities in selecting audit firms that are able to perform high-quality audits and have the experience, skills, industry understanding and the appropriate professional skepticism to provide such services to a global company like ours. Our Audit Committee fulfills such obligations through a number of actions including holding private sessions with the Company's audit firm at least each quarter and frequently reminding our lead partner and others on the audit team that our door is always open to them.

We strongly concur with the notion that audit quality may actually suffer in the early years of a new engagement as the new auditors get up to speed, and we firmly believe that continuity, knowledge and efficiency will be lost with each change from one audit firm to another, to the detriment of companies and their shareholders. For example, during a transition period a company's access to capital could be adversely affected due to potential delay and additional expense. Moreover, audit firms may not have the bandwidth to continue to provide consistent quality service if they constantly have to get up to speed on, and compete for, new accounts. And we have concerns that the number of firms that have the appropriate level of industry expertise (and the necessary global capabilities) may be quite small.


## **II. Economic Consequences**

We believe that the cost of implementing mandatory audit firm rotation would far outweigh any potential benefit of such a rule. Start-up costs are likely to be significant in the early years of each new engagement, and the additional time required to educate new auditors would be distracting and disruptive for management, and would therefore impose significant opportunity costs on public companies. If a mandatory auditor rotation were to occur during a major corporate event, the costs could be even greater. Avis Budget's business results have historically declined in periods of economic weakness, and 2008 and 2009 were no exception. Had the Company been required to incur additional significant expense during such period, the Company could have been further adversely affected, causing greater shareholder pain. Even in more typical periods, as a medium-sized public company in the vehicle rental business, our Company must always be vigilant in managing our costs and allocating management's time and resources as efficiently as possible. Taking the decision about whether to retain the current audit firm out of our Audit Committee's hands would reduce our ability to optimize such decisions.

In conclusion, if mandatory audit rotation is implemented it inevitably will cause companies to change auditors solely because of an arbitrary one-size-fits-all rule; a decision that might very well be contrary to a determination of informed audit committees, a situation that would not be in the best interest of public companies or their shareholders.

We respectfully submit that the PCAOB rescind or reject the Proposal and allow the current regulatory structure, which adequately and appropriately safeguards auditor quality and independence, to continue to protect both corporate and shareholder interests and rights. Should the PCAOB decide to pursue mandatory audit firm rotation, we believe an extensive and objective analysis, involving accounting-industry and public-company experts, of the economic consequences should be conducted before imposing such a requirement. Thank you for considering our views.

Sincerely,

  
Stender E. Sweeney, Chairman  
Audit Committee of Avis Budget Group, Inc.