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Executive Offices

December 13, 2011

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

Subject: PCAOB Rulemaking Docket Matter No. 37

Dear Board members:

Loral Space & Communications appreciates the opportunity to provide its comments related to the PCAOB's concept release on auditor independence and audit firm rotation.

We support the PCAOB's objective to improve auditor objectivity, professional skepticism and independence. However, we have significant reservations about employing mandatory audit firm rotation as a means to achieve this objective. Our conclusion is based on several reasons, including the following:

- We believe that there is already considerable emphasis, both within the audit firms and their clients, on ensuring that auditors are independent. We have found our auditors to be well informed and conscientious in this area. Although our experience is primarily with a single audit firm, we cannot identify a single instance where we would question the objectivity, independence or skepticism of that firm or any individual within that firm. This attitude seems to be a focus of our audit firm, perhaps spurred on by PCAOB oversight of audit firms through inspections and audits and the partner rotation requirement implemented under SOX. Our audit committee, aided by SEC and PCAOB standards, is also engaged in this process, approving all audit services and related fees, overseeing the audit work and meeting periodically with the audit firm to, among other things, discuss and assess their independence.
- We believe that any benefit of the fresh perspective brought by a new audit firm would be more than offset by the loss of continuity and company-specific technical knowledge of the firm being replaced. Specific industries (including ours) are so complex that a firm's hands-on experience is critical to providing a quality audit. We have practical experience that the quality of an audit tends to suffer when a key member of the audit staff is replaced. This decrease in audit quality is generally substantially offset by another member of the audit team stepping up, which is only possible due to that team member's prior experience on the engagement. This natural progression prevents a significant decline in audit quality as individuals come and go. The effective replacement of an entire audit team at the same time, through firm rotation, without the benefit of a transition period would end continuity, resulting in an inevitable decline in audit quality, at a minimum, for the initial audit.

- We also believe the costs to the company of audit firm rotation would be significant. The types of costs incurred would be varied. First, incremental costs would be incurred by the company in preparing a request for proposal, evaluating the proposals, interviewing multiple firms and selecting the firm. Second, the inefficiencies caused by the transition to a new firm would be significant and costly to the company. Third, there would be upward pressure on audit fees. It seems unlikely that firms will be willing to absorb start up costs when their tenure is limited anyway. Finally, and maybe most critical, is the opportunity cost of time that could otherwise have been dedicated to other activities, more critical to success of the business. In this era of tightening deadlines, ever-increasing requirements, such as IFRS and XBRL, and more complicated pronouncements, it is imperative to do everything possible to promote audit efficiency.


In summary, we believe the cost of audit firm rotation, including the direct impact of the hiring process and increased audit fees and the indirect impact as a result of declining audit quality, outweighs any theoretical benefit of the additional independence that such a policy may create. The cost of audit firm rotation would be significant when the company is engaged in "business as usual". When the company is going through a significant event, such as an acquisition or restructuring, the negative impact of audit firm rotation would be exacerbated.

Thank you for giving us the opportunity to comment on the PCAOB concept release.

Sincerely,



Harvey B. Rein
Senior Vice President and CFO



John Capogrossi
Vice President and Controller

cc: Loral Audit Committee