



November 16, 2011

VIA EMAIL TO: COMMENTS@PCAOBUS.ORG

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

Re: PCAOB Rulemaking Docket Matter No. 37

Union Pacific Corporation owns one of America's leading transportation companies, Union Pacific Railroad Company (UPRR), the largest freight railroad in North America with annual revenue of \$17 billion in 2010.

On behalf of the Audit Committee, I am pleased to submit our comments for your consideration regarding the concept release on auditor independence and audit firm rotation published by the Public Company Accounting Oversight Board (the Board).

We commend the Board's efforts to search for ways to enhance auditor independence, objectivity and professional skepticism. High-quality financial statement audits play a critical role in providing assurance to our stakeholders in the capital markets. In our view, the current professional, regulatory, and enforcement framework is effective in helping to ensure that audit firms comply with professional practice standards. In particular, with the passage of Sarbanes-Oxley, audit committees play an important role in overseeing the engagement with the outside auditor, and through this oversight responsibility are able to evaluate and provide key insights about which firm is well positioned to perform a quality audit for the company and its shareholders. Therefore, we do not believe that mandatory audit firm rotation will have an appreciable effect on auditor independence or improve the reliability of financial reporting. In addition, we believe that the real costs of this proposal to companies and audit firms will outweigh the potential benefits to the investing public.

Costs and Benefits

Over the last decade, efforts to improve auditor independence and the quality of financial reporting, including mandatory audit partner rotation and Board inspections, have had a beneficial impact on the reliability of financial reporting without substantially increasing the amount of resources required to help ensure the execution of a quality audit. However, the proposed requirement for mandatory audit firm rotation may not only increase audit costs, but may also significantly increase the amount of time and money companies spend evaluating, selecting, and educating new auditors about the intricacies of the company. We believe that before the Board initiates such a radical reform, an in-depth cost/benefit analysis should be



completed, and other less costly options be considered that might also further enhance auditor independence and improve the quality of financial reporting. In this regard, we believe the Board's concerns with auditor independence may be better addressed through increased education and additional guidance for how audit firms conduct and document audits.

Firm/Industry Expertise and Audit Quality

In order to perform a thorough, comprehensive and effective audit, the auditing firm must have a solid understanding of, and familiarity with, the client and the client's industry. In addition, auditing firms must be managed and staffed by qualified individuals who employ professional skepticism. Auditing is not unlike any other technical occupation in that there may be a significant "learning curve" in building an understanding of the complexities of a new company or industry in order to recognize the risks that may impact the fair presentation of a company's financial statements and disclosures. These skills can only be developed over time, and, by mandating audit firm rotation, extensive knowledge likely will be lost and a decrease in the effectiveness, efficiency and quality of the audit may occur in the early years of an engagement. In addition, requiring mandatory audit firm rotation may lead to increased audit costs as a newly engaged audit firm may require additional staffing and time devoted to audit work in the early years of an engagement to help ensure a thorough and comprehensive audit.

Geographic Expertise

Lastly, we also have concerns about the effect that mandatory audit firm rotation will have on companies that do not have access to multiple, qualified audit firms. Companies that are located in regions where there are not multiple audit firms that possess the resources and sufficient qualified professionals to perform the audit may be forced to engage a firm that does not have a local office or choose a firm that does not have the necessary knowledge, staff, or skills to perform an audit of a large public company. In either case, there may be a significant increase in the time and cost associated with selecting a qualified audit firm and the quality of the audit may be compromised.

Thank you for the opportunity to submit our comments.

Sincerely,

A handwritten signature in black ink that reads "Judith Richards Hope". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Judith Richards Hope
Audit Committee Chair
Union Pacific Corporation