TEEKAY CORPORATION

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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 - Concept Release on Auditor Independence and Audit Firm Rotation

Dear Board Members:

Teekay Corporation appreciates the opportunity to comment on the Concept Release regarding Auditor Independence and Audit Firm Rotation (the "Concept Release") issued by the Public Company Accounting Oversight Board ("PCAOB"). We support the Board's efforts to look for ways to improve audit independence, objectivity and professional skepticism. Teekay Corporation is a global company that provides a comprehensive set of marine services to the world's leading oil and gas companies, through offshore oil production, storage and transportation, liquefied natural gas shipping and conventional tanker shipping. With a fleet of 150 vessels, offices in 16 countries and approximately 6,400 seagoing and shore-based employees, Teekay transports approximately 10 percent of the world's seaborne oil.

Based on our understanding of the Concept Release and based on our experience with both audit partner rotation and a recent change in auditors, we are strongly opposed to the mandatory audit firm rotation. The balance of this letter will discuss the reasons for this view.

a. Before mandatory audit firm rotation is adopted we believe that there needs to be clear and objective evidence that this change will achieve the desired results. We note that Section III.C of the Concept Release indicates that the Board's own inspection data shows "no correlation between auditor tenure and number of comments received in PCAOB inspections".

b. In our businesses we face complexities in a number of areas, including, to name a few, the types of transactions we enter into, our corporate structure, the number of jurisdictions in which we operate and that at times we deal with complex financial instruments. Combining these with the well documented increasing complexity in accounting standards, there are currently only three or four audit firms that could realistically service our requirements. Excluding the incumbent auditor and one firm we use for non-audit services, that leaves little, if any, choice. Furthermore, we have operations in a variety of countries outside of North America. In certain locations we have experienced that there are a limited number of audit firms that have the necessary qualifications to service our requirements. A mandatory audit firm rotation may force companies into using less than ideal firms and thus we believe audit quality would inevitably suffer.

c. We note that Section II of the Concept Release indicates that "The root causes of audit failures are complex and vary in nature and continue to be explored by the Board. The Board plans to deepen its understanding of root causes in upcoming inspection sessions." We would recommend that the Board complete this review prior to proposing any solution. If mandatory auditor rotation is still seen by the Board as part of the solution to the identified root causes, we would appreciate that the

Board fully articulate what problems mandatory audit rotation would remediate and how it would remediate those problems.

d. Our experience with a recent change in audit firms is that the new firm is investing a considerable amount of time and resources into building its team and knowledge base. It is our understanding that firms expect to recover this "investment" over a long period of time. If audit firms were to be rotated off, they would either be de-incentivized in making this investment, negatively impacting audit quality or they would pass on this extra cost to companies. In addition, there are incremental costs borne by the company directly during the selection and transition phases.

e. As a large multinational organization we have a significant number of staff involved in completing the Company's accounting, closing the books and preparing the required financial statements that are released to the public. The Company's auditors are one part of this entire process. Each year we work together to ensure that all parties are able to complete their work within the overall timeline. A well planned out and co-ordinated audit plan should dove tail with the Company's process for closing the books. We are concerned that mandatory auditor rotation may result in the auditors having less incentive to provide good customer service as they know they are going to lose the audit. As well, from the Audit Committee and company perspective, mandatory audit firm rotation would result in losing the experience base of their current audit firm on a regular basis.

f. We believe that audit committees are in the best position to select and oversee the auditors, including assessing auditor independence. Imposing a mandatory rotation of audit firms overrides the audit committee's judgment. Given the potential decline in audit quality, we also believe that the mandatory rotation of audit firm proposal places additional risk on the members of the audit committee.

In summary, if PCAOB inspectors have continued to identify significant audit deficiencies, and these audit deficiencies affect a large cross section of the population of firms being reviewed, then this suggests that there is a gap in thinking between what the Board believes is an acceptable way to conduct an audit and what audit firms believe. Adding another standard, such as mandatory audit firm rotation, may not be an appropriate approach to address the matter, while changing the way the profession approaches an audit may be what is really required.

Thank you for the opportunity to comment on the proposal.

Yours truly,

Eileen A. Mercier
Chair of the Audit Committee
Teekay Corporation

Vincent Lok
Executive Vice President and Chief Financial Officer
Teekay Corporation