

The Goodyear Tire & Rubber Company

Akron, Ohio 44316-0001

December 12, 2011

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

RE: PCAOB Rulemaking Docket Matter No. 37

This letter is being submitted in response to the Public Company Accounting Oversight Board's (the "Board") request for comments related to Concept Release No. 2011-06 on Auditor Independence and Audit Firm Rotation. The Goodyear Tire & Rubber Company ("we", "us", "our") appreciates the opportunity to comment on this topic.

We have reviewed the Concept Release and agree with the Board's statement that an audit has value to financial statement users because it is performed by competent, independent third-parties who are viewed as having no interest in the success of the company. We also understand that during its' inspection process, the Board has found instances in which it appears that auditors did not approach some aspect of an audit with the required independence, objectivity and professional skepticism, and that the Board desires to evaluate alternatives which could improve auditor independence and the way an auditor views its relationship with a company.

The Board has asked for, and we have provided, comments on whether mandatory audit firm rotation would significantly enhance auditors' objectivity and ability and willingness to resist management pressure and whether a "fresh look" at a company's financial statements would enhance auditor independence and protect investors. The Board has also asked for alternatives to mandatory auditor rotation that would meaningfully enhance auditor independence, objectivity and professional skepticism.

Mandatory Audit Firm Rotation

While we agree that auditor independence, objectivity and professional skepticism are critical to the success of an audit and that periodically reviewing the audit approach from a fresh perspective provides significant value, we are not convinced of the correlation between the length of an audit firm's tenure with a company and a failure by auditors to approach an audit with the required independence, objectivity and professional skepticism. We do not support the proposal for mandatory audit firm rotation, nor are we convinced that it will achieve the PCAOB's desired improvement in these areas.

We believe that the current processes for audit firm selection, partner rotation and quality control within audit firms discussed below, while not perfect, allow and encourage auditors to maintain their independence and objectivity while achieving the desired goal of having a fresh perspective brought to the audit engagement and maintaining professional skepticism. In

addition, we have also noted significant drawbacks and limitations to the proposal for mandatory audit firm rotation.

Shareholders rely on an auditor to plan and perform an audit in order to provide reasonable assurance regarding a company's financial reporting process and the fair presentation of their financial statements. When an auditor does not have the required independence, objectivity and professional skepticism, the quality of the audit may be compromised and shareholders may be harmed. As a result of the Sarbanes-Oxley Act, Audit Committees, not company management, have the responsibility to appoint, retain, compensate, oversee, evaluate and terminate the relationship with a company's independent audit firm. This serves to reduce the ability of company management to use the threat of termination from the engagement to unduly pressure and influence the decisions of the audit firm. If the Audit Committee has concerns over the quality of the audit provided or suspects that the auditors' lack of independence, objectivity and professional skepticism has impaired the quality of their audit, the Audit Committee has the authority to solicit proposals from other audit firms and engage a new firm. In addition, shareholders at many companies are annually provided the opportunity to ratify the appointment of the independent registered public accounting firm as part of the company's annual shareholder meeting, enabling them to recommend that the Audit Committee consider the selection of another independent registered public accounting firm if shareholders are concerned that the Audit Committee has selected a firm that does not exhibit the required independence, objectivity and professional skepticism needed to execute the audit. A change to require mandatory audit firm rotation would reduce the responsibility of the Audit Committee to select an audit firm and the ability of shareholders to express their point of view on the Audit Committee's selection.

When the Audit Committee and shareholders are satisfied that the auditor is performing an audit with the appropriate level of independence, objectivity and professional skepticism, this may result in auditor and company relationships that last for lengthy periods of time. These lengthy relationships may lead to concerns that the audit firm may become too close to the company and that the long-term and intimate nature of the auditor-company relationship may compromise the auditor's ability to exercise the required objectivity and professional skepticism during the audit engagement.

As a means to address these concerns, current regulations require the engagement audit partner and the engagement quality review partner to rotate off an engagement every five years. This mandatory rotation serves as one of many "checks and balances" already embedded into the audit process to confirm that auditors approach an audit with independence, objectivity and professional skepticism. Additional controls embedded in the audit process commonly include a review by the audit firm's national office of the accounting for significant company transactions and the PCAOB's inspections of registered public accounting firms.

Current audit engagements are comprised of an engagement audit partner and an engagement quality reviewer. The engagement quality reviewer's role in planning and performing the audit is to provide an independent perspective and a fresh review of the audit evidence to confirm that the evidence supports the opinion to be issued. The engagement quality review provides a check that the engagement partner is exhibiting the required objectivity and professional skepticism on the audit engagement. The audit partners and the engagement quality reviewers are well aware that their time on an engagement is limited and will be critically reviewed by the new partners taking over the engagement. The short-term nature of their tenure on the engagement helps to limit the audit partner and engagement quality reviewer from becoming too close to the company and to resist pressure from the company's management which could

lower the level of objectivity and professional skepticism exercised by them during an audit engagement. The knowledge that their work will be subject to review in the short-term provides additional incentive for the audit team to maintain the proper level of objectivity and professional skepticism during an audit engagement.

In addition to mandatory audit partner rotation, many managers and staff members on audit engagements change frequently as a result of promotions, project reassignments and natural staff turnover. The combination of partner rotation and staff turnover essentially results in a new engagement team and many “fresh sets of eyes” reviewing the audit approach every few years, while still allowing the company to benefit from the continuity derived from the audit firm’s overall knowledge of a company’s policies, processes and systems. The institutional knowledge of a company built over time by an audit firm is essential to providing a high-quality, cost-effective and efficient audit, and to reduce the risk of audit failure.

Another existing control within the audit process is the use of a national office review system by audit firms to verify that the local audit team is exercising an appropriate level of objectivity and professional skepticism in reviewing and challenging a company’s accounting for significant transactions. Technical practitioners at the national office do not have daily face-to-face interaction with the company like the local audit team, thus the national office view on the accounting for transactions is not influenced by the factors the PCAOB cited that could impair auditor objectivity, independence and professional skepticism, and is an effective control to ensure a high level of professional skepticism across audit engagements for the firm.

Lastly, the PCAOB’s inspections of public accounting firms allow for an additional independent third-party review of the independence, objectivity and professional skepticism exercised by audit teams during the audit engagement. Similar to mandatory audit partner rotation, the knowledge that an audit team’s work will be reviewed and evaluated by a third-party provides additional incentive for the audit team and audit partner to ensure they are exercising the appropriate level of independence, objectivity and professional skepticism during an audit engagement.

To summarize, the existing checks and balances within the current processes for audit firm selection allow the Audit Committee and shareholders the opportunity to address concerns regarding audit quality, and partner rotation and quality control processes within audit firms provide auditors with the ability to maintain their independence and objectivity, while simultaneously allowing for opportunities for new and fresh perspectives to be introduced on an audit, through the natural turnover on the audit engagement at all levels of the audit team, without requiring the mandatory rotation of audit firms.

Mandatory audit firm rotation has inherent limitations and drawbacks which ultimately could have a negative impact on audit cost and quality.

First, because of consolidation of the public auditing firms, there exists a limited number of firms, essentially the “Big 4”, who have a global footprint sufficient to meet the audit needs of large multinational companies such as Goodyear, with operations in 54 countries. In addition, due to changes under the Sarbanes-Oxley Act in the scope of services that can be provided by independent audit firms issuing audit opinions, we have engaged certain other of the “Big 4” firms who currently do not provide audit services to provide key non-audit services such as valuations, internal control and internal audit work. Due to the limited number of firms with the capability to provide audit services to a company of our size and complexity, and our utilization of certain other firms to provide non-audit services, under a mandatory audit firm rotation

requirement, there would currently be only one other qualified audit firm remaining that would be able to provide us with audit services. As such, the competitive bidding process amongst audit firms that is envisioned by the PCAOB would not materialize for our company without further disruption in service providers in other non-audit areas. In order to have a competitive choice for audit firm rotation among the Big 4 audit firms, we would need to have at least two of the firms in a position to bid on global audit services, which would limit the number of firms who could provide non-audit services to one, and would hence limit competitive bidding for non-audit services, or cause us to constantly rotate firms between audit and non-audit services, which would result in increased costs and inefficiencies beyond those related to auditing the consolidated financial statements to include non-audit services. A constant state of turnover in service providers in these areas would increase the risk associated with all of the affected areas each time a rotation occurs.

If mandatory auditor rotation is required, large multinational companies, such as Goodyear, will incur higher audit fees as any new audit firm would incur a significant amount of time, especially in the early years of the audit engagement, to build the institutional knowledge of the company that is required to plan and perform a quality audit. Costs to transition to a new audit firm would not be limited to fees related to auditing the consolidated financial statements, but would include increased costs for the nearly one hundred statutory audits required annually for our subsidiaries, as well as the time needed to gain an understanding of the multiple IT platforms that are used worldwide, and to perform the testing needed to rely on system-based and process level internal controls to execute an integrated audit. Not only would we expect to incur additional audit fees at a minimum in the first several years of the rotation, the internal costs and time commitment for our staff to work with the new auditors would also be substantial. These fees and internal costs would be recurring at each rotation period, with no guarantee that the significant incremental costs and time incurred by companies as a result of mandatory audit firm rotation would result in the PCAOB's desired benefit of increased auditor independence, objectivity and professional skepticism, nor is there convincing evidence that mandatory audit firm rotation would lead to increased audit quality. Conversely, we are concerned that mandatory audit firm rotation would decrease audit quality, primarily in the early years of the rotation, as the new audit firm would not have the appropriate understanding of company-specific risks, processes and IT systems to plan and perform a high-quality risk-based audit, and many of the risks the PCAOB seeks to reduce through mandatory audit firm rotation would still be present with the successor audit firm.

Alternatives to Mandatory Audit Firm Rotation

While we do not support the proposal for mandatory audit firm rotation as a means to achieve increased auditor independence, objectivity and professional skepticism, we are supportive of the PCAOB's desire to identify alternatives to achieve this goal.

Alternatives to mandatory audit firm rotation which we would support are more timely inspections of audits and increased communication by the PCAOB, forced audit firm rotation in the event of an audit failure, and mandatory audit firm communication to the audit committee regarding alternative accounting considerations for significant transactions.

Currently, the PCAOB inspects audit firms and their engagements on a rotating basis subsequent to the audit opinion being issued. We suggest that as a means to improve auditor independence, objectivity and professional skepticism, the PCAOB conduct their inspections more timely, and to even consider performing limited reviews or tests as the audit is in progress. More timely inspections could allow the PCAOB to identify engagements that are at risk of

failure prior to the completion of the audit and allow the audit firm to take corrective action as necessary. An awareness that the PCAOB may, at any time, select their engagement for review would serve as a continuing reminder to audit firms and partners that their judgments and conclusions may be second-guessed and could result in the increased level of objectivity, independence and professional skepticism the PCAOB is seeking through audit firm rotation. We also support the PCAOB reporting its inspection findings directly to the Audit Committee of each company to enable the Audit Committee to be fully informed when evaluating the audit firm's performance and when considering the continued engagement of the audit firm for future audits.

As a means to alleviate concerns regarding undue pressure and influence of a company's management on the auditors and an audit firm placing too much reliance on management's conclusions regarding the appropriate accounting for transactions, we support a requirement that audit firms, as part of their communications with the Audit Committee, be required to discuss alternative accounting options that are available to account for significant transactions but that were not utilized by company management, and the potential impact on the financial statements had those alternative options been used by management to account for the transaction.

Lastly, we would also support a requirement for forced audit firm rotation in the event of an audit failure or if the PCAOB's review results in significant adverse findings, such as a pervasive lack of independence, objectivity and professional skepticism, although we would expect that the Audit Committees of these companies would likely engage a new audit firm without a mandate for such an action.

To summarize, while we agree with the PCAOB regarding the importance of auditor independence, objectivity and professional skepticism to the success of an audit, for the reasons outlined above in this letter, we do not support the proposal for mandatory audit firm rotation. We support the PCAOB's efforts to find meaningful alternative ways to improve audit firm independence, objectivity and professional skepticism other than mandatory audit firm rotation, which is costly, inefficient and increases the level of audit risk, and have provided our suggestions to the Board on alternative approaches. If mandatory audit firm rotation were required, we would ask that the Board consider the financial and operational impact on companies and identify ways to minimize the impact of such a requirement.

In order for audits to be effective and conducted with the independence, objectivity and professional skepticism that is required to benefit the company's shareholders, both a company's management and auditors must willingly hold themselves to the highest of professional standards. No amount of regulation, including mandatory audit firm rotation, can legislate or persuade those who do not currently adhere to these high professional standards to adopt such an approach. While unquestionably, most auditors and companies do strive to hold themselves to the highest of professional standards, there are a minority which may not. To impose the significant costs and inefficiencies that are part of mandatory audit firm rotation on all public companies in an attempt to force the minority which do not adhere to a high level of professional standards to do so is punitive and unlikely to achieve the PCAOB's desired result.

Again, we thank the Board for the opportunity to comment on its concept release on auditor independence and audit firm rotation. If you have any questions regarding the comments provided in this letter, please contact me at 330-796-2775.

Sincerely,

A handwritten signature in blue ink that reads "Richard J. Noechel". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Richard J. Noechel
Vice President and Controller
The Goodyear Tire & Rubber Company