December 14, 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
Concept Release on Auditor Independence and Audit Firm Rotation

We appreciate the opportunity to share our views on the *Concept Release on Auditor Independence and Audit Firm Rotation* (the "Concept Release") issued by the Public Company Accounting Oversight Board ("PCAOB").

Our views on the proposals presented in this Concept Release are from the perspective of a large multinational public company. Liberty Global, Inc. ("LGI") is a leading international provider of video, voice and broadband internet services. These services are provided through consolidated operating subsidiaries in 14 countries, primarily in Europe, Chile and Australia.

In addition to our consolidated audit requirement, we are required to obtain a large number of audits of subsidiary financial statements prepared under various accounting standards, including accounting principles generally accepted in the United States (U.S. GAAP), International Financial Reporting Standards (IFRS) and various local accounting standards. These audits are required in connection with the public reporting and statutory requirements of our subsidiaries and to comply with the terms of the indentures and credit facilities of our various credit pools. The audit firm we have engaged uses well over 100 professionals throughout the world in the conduct of their audits of LGI and its subsidiaries. This firm was chosen partly because they have strong expertise in the communications industry throughout the countries in which LGI operates and because our audit committee is satisfied that they conduct their audit in accordance with the high standards and professional skepticism required by their profession.

We believe the implementation of the Sarbanes-Oxley Act, including the establishment of the PCAOB and its inspection programs, has already had the desired effect of focusing audit firms on their professional requirements, including auditor independence. While these inspection programs can't dissuade every individual from acting in a manner inconsistent with professional standards, we believe that the quality control programs of audit firms, including controls over auditor independence, have been enhanced as a result of PCAOB inspection programs.

The Concept Release addresses whether audit firm rotation should be required in order to further enhance the independence and professional skepticism of auditors. As the PCAOB acknowledges, this issue has been studied various times in the past with the consistent answer that mandatory audit firm rotation should not be required. We believe the current study should result in the same conclusion for many of the same reasons cited in the past including:

- The strong potential that audit firm rotation would actually decrease audit quality rather than increase audit quality.
- Costs of such a requirement likely exceeding any benefit, if any benefit in fact exists.
- The substantial devotion of audit committee and management resources during audit firm transition periods, with the associated adverse impact on ongoing operations.
- The lack of any empirical evidence that issues with auditor independence are leading to significant and pervasive audit failures

In summary, we question whether there is, in fact, any widespread issue associated with auditor independence. Based on our experiences, auditors take independence very seriously and approach audit engagements with a high level of professional skepticism. The evidence presented in the Concept Release does not change our view. The PCAOB has concluded in their reviews of audit engagements that a number of auditors failed to obtain reasonable assurance about whether the financial statements are free of misstatement. However, there seems to be no evidence that a significant number of these deemed failures are explicitly related to a lack of auditor independence. The Concept Release only states that some of these audit failures "may" be related to a lack of auditor independence. Further, we believe independence issues that are found in audit firms should be addressed by sanctioning the audit firm that violates their professional requirements, and not by punishing all registrants through a requirement to change audit firms every few years.

The following provides more information regarding our specific concerns associated with mandatory auditor rotation, and responds to certain of the general questions raised in the Concept Release.

Cost/Benefit

We have not specifically studied the added cost of requiring mandatory auditor rotation (presumably every five years or so). However, the estimate made in the 2003 GAO Report of an increase of 20% in initial year audit costs seems low to us if all of the company's and external auditor's time that would be involved in such a change is considered. Although a 20% increase might be a reasonable approximation of the low end of the expected increase in the audit fee, we strongly believe that the increase in the total hours devoted by the company and the new auditor would be well in excess of 120% of the comparable prior year hours, particularly in the case of a multinational company like LGI.

According to an article in CFO.com[1], publicly traded companies paid $16 billion in audit fees during 2008. This number has likely increased over the last few years. If we apply the 20% increase mentioned above to the 2008 estimate of audit fees, we would arrive at a $3 billion increase in audit fees for publicly traded companies during auditor transition years. Given our opinion that the GAO's estimate of a 20% increase is low and the fact that the total audit fee figure used in this calculation is three years old, we believe that $3 billion is well below what would actually be incurred if any rotation requirements were adopted. In addition, these are not one-time costs in that they would periodically recur as each rotation period expired. In light of the fact that the cost of a mandatory rotation requirement would clearly be significant and the fact that we cannot say with any degree of certainty that the audit failures identified by the PCAOB would have been avoided if a mandatory rotation requirement had been in place, it is hard for us to understand how the adoption of such a requirement could be justified.

As alluded to above, focusing only on the amount of extra audit costs ignores the extra burden placed on management and audit committees of public companies. More importantly, for large multinational companies, such as LGI, the rotation of auditors would be extremely disruptive. As stated in the background section, our audit engagement employs well over 100 professionals who are located in our central offices and all of our key locations. A mandatory audit rotation would result in the turnover of all of these professionals at each mandatory rotation date. Management and other company staff would then have to devote substantial time and effort to help the new audit engagement team get "up to speed." Those efforts would be at the cost of other efforts related to running a successful organization, or would result in the need to hire additional personnel. As such, the possibility of substantial increases in audit fees is only one cost related to a mandatory auditor rotation requirement. We are not sure how one would measure the additional costs, including real costs and opportunity costs, imposed on public companies if mandatory auditor rotation were to be imposed.

While it is safe to conclude that substantial additional costs would result from mandatory auditor rotation, we are not sure if there is any measurable benefit associated with making this change. Certainly there will be a few situations where auditors that did not previously have a proper devotion towards independence standards will be

[1] "Auditing your Auditor", April 2, 2010

motivated to improve their behavior, which may lead to a few cases where improper accounting practices are uncovered more timely. However, consistent with certain views expressed in the Concept Release and further discussed below, there will also almost certainly be other situations where auditor rotation will directly lead to new audit failures since the new auditors will have a steep learning curve in their first years on new engagements.

Overall, we believe it is highly doubtful that an objective study on mandatory auditor rotation would pass a reasonable cost/benefit analysis.

Would Audit Firm Rotation Have Any Meaningful and Measurable Impact on Auditor Independence, Objectivity and Professional Skepticism?

In our view, audit firm rotation would have very little impact on auditor independence, objectivity or professional skepticism. The large majority of audit firms and auditors take these responsibilities very seriously, and as such, audit firm rotation would have no real impact on these firms and individuals. For audit firms and auditors that don't take these responsibilities seriously, we doubt that added regulation, such as mandatory audit firm rotation, would substantially change the behavior of these firms and individuals. PCAOB enforcement through inspection programs is the best way to deter these types of audit firms and individuals.

In addition, we believe the requirement to rotate firms would shift audit firm resources from delivering high quality audits to an increased focus on marketing for new clients as audit firms rotate. In effect, the implementation of the proposals in the Concept Release could have the unintended consequence of reinforcing the type of behavior that we are trying to avoid.

What Impact Would Auditor Firm Rotation Have On Audit Quality?

For large complex organizations, such as LGI and other multinational companies, it takes the auditor significant time to develop adequate knowledge of the systems, processes, activities and controls of the entity. Before this knowledge is developed, it is very difficult, in our view, for the auditor to correctly identify and respond to audit risks in the engagement. If audit firms are required to rotate, we believe audit failures will almost assuredly increase as new audit firms struggle to identify and address the most important audit issues. As company-specific knowledge is only gained by experience, we do not see how the risk of increased audit failures due to a lack of company-specific knowledge can be avoided.

Independence Conflicts

As a large multinational company, LGI engages every "Big 4" firm each year to perform various services, and only the Big 4 firms have the resources to assist a company like LGI. Given the limited amount of eligible firms, an auditor rotation requirement could lead to situations for companies such as LGI where a new audit firm would be required to opine on their own work (e.g. an appraisal performed for a business acquisition). In addition, audit firm rotation will impact non-audit services as we will also have to rotate the firms that perform these services, with these rotations likely causing significant cost and disruption to our ongoing operations.

The Role of the Audit Committee

One potential outcome of the mandatory auditor rotation proposal in the Concept Release is to diminish one of the audit committee's key responsibilities. Audit committees are in the best position to determine whether the audit engagement team is performing their work with the appropriate level of professional skepticism. The Concept Release seems to imply that audit committees are not adequately performing this role, and as such, only mandatory auditor rotation would ensure auditor independence. In our view, the audit committee's role should not be diminished in this fashion. On the contrary, we believe that audit committees should continue to have the ability, as they see fit, to voluntarily remove audit firms that don't display the appropriate level of professional skepticism or expertise. In this regard, we would support PCAOB efforts to reinforce the existing roles and responsibilities of public company audit committees.

Overall, while we support the PCAOB's goal to further enhance auditor independence, for the reasons expressed herein we don't believe that mandatory auditor rotation is the solution. We believe the focus should be on enforcement of the existing high quality standards of the audit profession.

We have discussed the contents of this letter with the Chairman of our Audit Committee, who is in agreement with the views expressed herein. We appreciate the opportunity to comment on this Concept Release, and would welcome the opportunity to discuss these matters with you. I can be contacted at (303) 220-6603, or you can reach Leo Stegman at (303) 220-6690.

Sincerely,

Bernard Dvorak
Senior Vice President & Co-Chief Financial Officer

cc Paul Gould (Director and Audit Committee Chairman, Liberty Global)
Elizabeth Markowski (Senior Vice President, Secretary and General Counsel, Liberty Global)
Leo Stegman (Vice President, Accounting and Reporting & Deputy Controller, Liberty Global)