BorgWarner Inc.

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BorgWarner

December 10, 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

We, as the Audit Committee of BorgWarner Inc. ("BorgWarner"), appreciate the opportunity to provide feedback on your Concept Release on Auditor Independence and Audit Firm Rotation.

BorgWarner (NYSE: BWA) is a product leader in highly engineered components and systems for vehicle powertrain applications worldwide. The Company operates 59 manufacturing and technical facilities in 19 countries.

BorgWarner's Audit Committee understands the PCAOB's concerns regarding enhancing auditor independence, objectivity and professional skepticism; however, we have significant concerns regarding the proposal, which primarily focuses on auditor rotation. Specifically, we are concerned with the impact on the external auditor's effectiveness and efficiency when performing the audit, the impact on our foreign operations and the impact on non-audit services currently provided by other Big Four public accounting firms.

External auditor effectiveness and efficiency

Mandatory audit firm rotation will decrease the effectiveness and efficiency of the overall audit process through reducing the audit firm's cumulative audit knowledge, which will result in a reduction in overall audit quality and increased costs to companies.

The rotation of a company's external audit firm eliminates the cumulative audit knowledge an audit firm builds over time about both the company and the industry in which it operates. This knowledge is a critical factor in the auditor's ability to understand the company's risks and uncertainties, evaluate the judgments and estimates made by management, analyze complex accounting topics and communicate with the audit committee regarding these items. A requirement to rotate external audit firms will eliminate an auditor's cumulative audit knowledge, resulting in an increased risk the auditor will not detect inaccuracies in the financial statements.

From a cost perspective, companies would be required to seek requests-for-proposals from audit firms more frequently, which increases costs and reduces the amount of time senior management can focus on value-added activities. Further, there will be internal costs associated with employees spending time educating the new audit firm on the nuances of our business and revisiting accounting decisions made in prior years, rather than performing more valuable prospective work. To offset the decrease in effectiveness and efficiency, the audit firms will have to increase their overall audit fees, which will also result in additional costs to companies and therefore to their investors.

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Impact on our foreign operations

Approximately 74% of BorgWarner's consolidated net sales are earned outside of the United States. As such, the external audit firm uses teams based in other countries to obtain external audit evidence for the consolidated audit. Mandatory audit firm rotation would require not only the U.S. based team to rotate auditors, but would also require the rotation of all non-U.S. based teams. Additionally, some of the countries in which BorgWarner operates require statutory audits. Because of the effectiveness and efficiency associated with using the same audit firm for both the consolidated audit and the statutory audits, the requirement for mandatory audit rotation would impact both the consolidated and subsidiary statutory audits, magnifying the disruption and inefficiency.

Non-audit services

Due to the size and complexity of BorgWarner's global operations, the Big Four public accounting firms are the only viable options to provide external audit services. In accordance with current regulations, BorgWarner strives to engage Big Four accounting firms not currently performing the external audit to perform non-audit services, such as internal audit, mergers and acquisition type activities and tax consulting work. Because the audit firm performing the external audit services cannot also perform some of these services, companies would have to simultaneously rotate the Big Four accounting firm selected to provide these non-audit services to ensure the independence of the external auditor. Rotating the provider of non-audit services will decrease the effectiveness and efficiency associated with non-audit services, resulting in increased costs for each of these services.

We believe the concerns identified above would significantly outweigh any benefits provided by mandatory auditor rotation. Further, the current regulatory environment includes rules requiring audit partner rotation, PCAOB inspections of registered audit firms and independent audit committees who select, hire and oversee independent auditors. BorgWarner also asks stockholders to ratify appointment of the independent auditor, as many companies do. The existing regulatory environment and good corporate governance practices sufficiently promote auditor independence, objectivity and professional skepticism in a reasonably balanced way.

BorgWarner has recently gone through an auditor rotation (in 2009) and speaks from experience related to the significant time and potential costs related to rotation on a mandatory basis.

Thank you for considering our views. Please feel free to contact us if you would like to discuss our concerns regarding the proposal.

Sincerely,

BorgWarner Inc. Audit Committee:
Ernest J. Novak, Jr.
Dennis C. Cuneo,
John R. McKernan, Jr.
Thomas T. Stallkamp

Ernest J Novak

Ernest J. Novak, Jr., Chairman of the Audit Committee