



Caterpillar Inc.

100 NE Adams Street
Peoria, Illinois 61629

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

November 30, 2011

Re: PCAOB Rulemaking Docket Matter No. 37

Members of the Board:

We appreciate the opportunity to respond to the Public Company Accounting Oversight Board's ("PCAOB") Release No. 2011-006: *Concept Release on Audit Independence and Audit Firm Rotation*.

As a Fortune 50 company, Caterpillar certainly fits the norm of having a long-tenured external auditor. As the Audit Committee, we strongly believe in the value of auditor independence, objectivity and professional skepticism. We understand these are critical elements of high quality audits.

We do not, however, support the idea that mandatory auditor rotation will address the PCAOB's concerns with auditor independence, objectivity and professional skepticism. No compelling evidence has been presented to conclude mandatory audit firm rotation has a high likelihood of producing improvements in auditor performance. In fact, we believe mandatory audit firm rotation has a high likelihood of causing serious repercussions, including, but not limited to: 1) reduced audit quality, 2) reduced audit efficiency, 3) practical compliance limitations, 4) increased independence conflicts, and 5) reduced Audit Committee authority.

1) Reduced Audit Quality:

If we were required to rotate auditors every 10 years or some other defined tenure, we believe it would hurt audit quality. Caterpillar is a large, complex business with more than 500 locations in 50 countries, comprised of more than 600 legal entities. We are the world's largest manufacturer of construction and mining equipment and a leader in diesel and natural gas engines and industrial gas turbines. We help build roads, power engines, turn on lights, transport goods and provide financing in more than 180 countries. It takes considerable time and investment before an auditor can thoroughly understand Caterpillar's business. An increased understanding of our highly complex business enables a more insightful, thoughtful and critical analysis of the relevant accounting issues and assumptions. A mandated auditor rotation would lead to the regular loss of auditor understanding of our business, leading to higher risk of audit failures.

Additionally, if the required rotation occurred during a significant transaction such as an acquisition, audit quality could be negatively impacted to an even greater extent.

2) Reduced Audit Efficiency:

As described above, the learning curve faced by a new auditor would require additional resources from both the auditor as well as management. We agree with estimates that audit fees could increase as much as 20% for the first 2 to 3 years of a new auditor, matched by increases in

management time to support the auditor. We would prefer to keep Caterpillar employees focused on the audit process and responsibility, and competing and winning in the global marketplace rather than explaining operations to new auditors.

3) Practical Compliance Limitations:

If we were required to rotate auditors after a defined tenure, we believe we would face practical limitations to comply. There is an underlying assumption in the rotation model that all audit firms are created equal and are therefore interchangeable. It is our experience that this is not true. Even as the audit market has driven consolidation, the Big 4 are not equal. These firms have their own unique blend of subject matter expertise, industry expertise and geographic presence.

In addition, for global companies, different rotation requirements across various jurisdictions drive unnecessary complexity and inefficiencies. This raises the risk of poor audit quality.

4) Increased Independence Conflicts:

If we were required to rotate auditors after a defined tenure, we believe we would face increased independence conflicts. As a large multinational company, Caterpillar engages with every Big 4 firm as either auditor, in the case of our leading firm, and others as consultants in selected areas. Increased firm rotation would undoubtedly put the firm selected as our external auditor in a position of opining on work they previously did as a consultant. Added costs and complexity would be required to manage through these issues. We would also be faced with having to restrict needed consulting advice from the Big 4 and other audit firms to ensure we would have adequate choice in selecting a new auditor under a mandatory audit firm rotation model.

5) Reduced Audit Committee Authority:

Mandatory auditor rotation, we believe, would hurt Audit Committee authority. We strongly believe that we, the Audit Committee, as representatives of shareholders' interests, are best positioned to appoint and retain audit firms to best meet shareholders' needs. Taking away this governance responsibility by limiting audit firm tenure or other measures would undermine our determination of the best interest of shareholders. We are confident in our ability to ensure the external auditor is independent, objective and exercising appropriate professional skepticism.

In summary, we believe the downside risks of mandatory auditor rotation are far more certain and far greater than the potential benefits. To be clear, we do support the concept of enhanced auditor independence and our actions will continue to support this concept.

Thank you for your consideration.

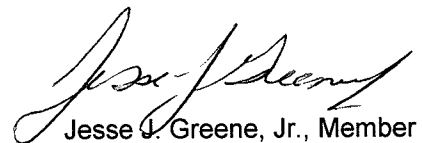
Sincerely,



William A. Osborn, Chairman
Audit Committee
Board of Directors
Caterpillar Inc.



Daniel M. Dickinson, Member
Audit Committee
Board of Directors
Caterpillar Inc.



Jesse J. Greene, Jr., Member
Audit Committee
Board of Directors
Caterpillar Inc.