"Our Quasquicentennial Year"

March 31, 2005

Jonathon G. Katz, Secretary
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

RE: File Number 4-497

Dear Mr. Katz:

We would like to thank the Securities and Exchange Commission (SEC) for the opportunity to comment on the impact of compliance with Section 404 of the Sarbanes-Oxley Act (Act or SOX) of 2002. While our comments will focus on the experiences and views of Ball Corporation, we anticipate that many of the comments will be applicable to all registrants and will likely share some commonality with others who choose to comment.

Overview

Our concern is not with the Act itself, but with how the Act has been interpreted and auditing guidelines and practices developed. While we believe that strong internal controls are an important part of the financial reporting process, we do not believe that it is possible to audit internal controls to the extent of ***ensuring*** accurate financial reporting. The real world is just not that neat and there are far too many transactions. We believe that a thorough audit of the opening and closing Balance Sheets, along with a comprehensive audit of ***key*** internal controls provides the best audit results. We would assert that the audit of our internal controls was overdone in 2004 and that quality of our overall audit in 2004 was no better than in prior years, however the cost was more than double. From our perspective, the costs of compliance with the Act in 2004 far outweighed the benefits we received. Both internal and external costs and time and effort well exceeded our initial expectations.

We recommend that some of the guidance established by the Public Company Accounting Oversight Board (PCAOB) in Auditing Standard 2 (AS No. 2) and the FAQ's, be amended as a result of practical application issues discovered during this implementation year. The lack of timely guidance from the SEC, PCAOB and the public accounting firms, and the lack of participation by the registrants in determining the application of AS No. 2 were also problematic for us in 2004.

Application of AS No. 2

Listed below are our observations and suggestions for improvements to SOX 404 requirements and AS No. 2:

Audit Testing

- AS No. 2 states that the auditor's objective is to audit to obtain "reasonable assurance about whether the company maintained, in all material respects, effective internal control over financial reporting as of the date specified in management's assessment." In our judgment, more guidance is required around the concept of reasonable assurance. The level of detailed auditing performed, and the documentation required from our public accounting firm in 2004, far exceeded what we believe should be required to obtain reasonable assurance. It appeared to us, that in certain instances, we missed the forest because of all the trees. Also, further consideration should be given to the level and type of documentation required to obtain reasonable assurance.
- We believe that the most significant risks in internal control over financial reporting are in the control environment, entity-level controls and management judgment. Yet, in the application of AS No. 2, the vast majority of the cost, time and effort were spent in other areas, particularly routine transaction level controls. The issues that surfaced at Enron, WorldCom and others were not based on routine transaction processing. Yet, we were required to test 30 or more transactions for each area in accounts payable, payroll, sales, etc., at each in-scope plant. Further consideration should be given to modification of the materiality guidelines for defining deficiencies, significant deficiencies and material weaknesses. The low materiality guidelines drove the level of detail testing and the number of deficiencies that had to be formally evaluated, particularly in low risk areas.
- The requirement to include testing of the second half of the year transactions creates a high cost/low benefit situation in a static processing environment. Consideration should be given for further guidance addressing other alternatives to detail testing in the second half of the year to obtain reasonable assurance for areas tested in the first half of the year.
- We are concerned that the documentation requirements of AS No. 2 could, in some areas, force companies from a paperless business environment to a more costly paper environment, resulting in higher filing and documentation handling costs.
- Our external auditors informed us that their substantive audit testing did not decrease during the 2004 financial statement audit, but rather increased. We do not understand how, after spending over twelve thousand hours auditing our assessment of internal controls, the amount of time incurred in the financial statement audit would not decrease given there were no significant transactions in the year and few significant

changes to our operations or internal controls. We would ask the question, "If there is no substantive audit value to SOX 404 work, then why are we doing it?"

- The time and effort of performing and documenting walkthroughs is a large area of effort. While management can assess its need to perform and update its assessment in the second year, AS No. 2 requires that the external auditor perform these tasks independently. We suggest that if the control environment is assessed as good and the process not changed, external auditors should be allowed to perform inquiry only updates and place reliance on internal audit work.

Risk Assessment

- We believe that many general computer controls have only a remote possibility of causing a material financial statement error. A lot of time in 2004 was spent auditing general computer controls based on prior practice without consideration of materiality or impact on internal controls over financial reporting. We believe more guidance is required in this area.

Guidance from SEC, PCAOB and Public Accounting Firms

While we understand the difficulty in writing a new auditing standard and addressing the objectives of Section 404, the SEC and PCAOB nevertheless set the time line for compliance. The guidance received from the SEC and PCAOB, as well as the public accounting firms, came way too late resulting in a significant amount of rework, retesting and documentation, increasing the cost of the first year compliance.

Two examples of late guidance relate to reliance on testing in the first half of the year and the disposition of deficiencies. Concerned about the timeline, we had already commenced testing shortly after AS No. 2 was issued at our manufacturing plants in the first half of the year. We were later informed by our external auditor that retesting at those locations would have to occur in the second half. The "evaluation framework" was issued in December 2004, after we had supposedly already documented the disposition of deficiencies in a fashion acceptable to our external auditor. Significant internal and external auditor time was spent in January and February 2005 to document our previous work within the parameters of the "evaluation framework."

One of the reasons for formation of the PCAOB was oversight of the public accounting firms. The public accounting firms, already subject to increased public scrutiny and risk of litigation in the post-Enron environment have in our opinion taken a very conservative view of the application of AS No. 2. We understand that the SEC and PCAOB relied heavily upon input from the public accounting firms after issuance of AS No. 2 without representation from registrants. We believe that registrants must have input in the process and the reason for our letter.

Accelerated Filing Deadlines

We highly recommend that the SEC permanently defer any further acceleration of filing deadlines. The increase in late filings and extensions evidences this. While our company filed comfortably before the 75-day deadline, we had already scheduled our whole audit, Form 10-K process and proxy filing, including coordination with a third party printer, around the original 60-day deadline. Changing the schedule would have proved difficult at the time the SEC deferred the acceleration to 60 days. While we did file comfortably before the deadline, with hindsight the level of effort required to do so will be difficult to sustain. The level of effort interfered with and delayed some aspects of our normal accounting close process in January and February 2005.

Cost of Section 404 Compliance

Our company had $5.4 billion in net sales in 2004. We are a multi-national company with approximately 50 plant locations worldwide. Our external costs of compliance, excluding the fees of the external auditor, were approximately $1.7 million. The audit fees for SOX 404 in 2004 were approximately $3.3 million, which is 126% of our normal audit fee. Our internal audit department of ten professionals spent nearly 80% of its time with Section 404 compliance in 2004 and significant time in 2003. These costs exceeded what we thought were very generous estimates by almost $2.5 million. We did not attempt to estimate the internal time or costs we incurred outside of the internal audit department, which were also considerable. Time will tell how our costs and experience compare to other registrants, but our main concern remains that $7 million, including the internal audit department costs, far exceeds our realized benefits of Section 404.

We again appreciate the opportunity to express our views and would be pleased to discuss our comments or answer any questions you may have. Please do not hesitate to contact us regarding this letter.

Ray Seabrook

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Douglas K. Bradford

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