

## AKZO NOBEL N.V./METLAC HOLDING S.R.L. MERGER INQUIRY

### Summary of hearing with Crown Packaging Europe held on 4 July 2012

#### Background

1. Crown Packaging Europe (Crown) is a subsidiary of Crown Holdings Inc (which reported revenues of \$8.6 billion in the 2011 financial year). Approximately \$4.4 billion of its revenue was from European sales and Crown is the biggest European supplier in the global packaging market.
2. Crown manufactures cans and closures for food and beverages, aerosols for industrial and personal care and general line cans for industrial and promotional markets. Its customers include Carlsberg, Coca-Cola, Cott Beverages, Heineken, Heinz, Mars, Nestle, Pepsico and Unilever.
3. Crown has 73 plants within Europe, the Middle East and Africa (the EMEA), including plants in Belgium, Finland, France, Germany, Greece, Hungary, Italy, the Netherlands, Poland, Portugal, Slovakia, Spain, Switzerland and the UK.

#### Purchasing process

4. Crown procured in three geographic divisions rather than a global basis. It did not use formal tenders to procure products. Furthermore, it did not generally award contracts of longer than three to six months because its suppliers were unable to guarantee prices beyond that time frame due to recent volatility in raw materials costs. Therefore if a supplier's price was valid for only six months, then that was the extent of the commitment to buy.
5. One particular dynamic of the industry was that some of the customers of the can manufacturers were also metal coatings suppliers to the can manufacturers (eg AkzoNobel and PPG). In some cases, this could potentially influence the nature of the supply relationship between a coatings manufacturer and a can manufacturer.

#### Switching

6. Crown gave an example of its experience in converting factories [redacted].
7. Crown cited an example where it had switched suppliers [redacted].
8. Whilst technical assistance was very important, it would not necessarily need to be provided by a local team and EEA-wide support was provided by Metlac from Crown's plant in Italy.

#### BPA-NI technology

9. The key challenges for the metal packaging coatings industry in the next few years included a number of regulatory changes. For example, just as the industry was attempting to qualify bisphenol-A non-intent (BPA-NI) lacquers and coatings, a new piece of REACH legislation had been developed which stopped tin plate suppliers from using Chromium 6 in the production process (by 2016). This could result in a

need to qualify coating and lacquers all over again and could be 'a potential nightmare' for the industry.

10. [X]
11. A delay in the industry change to BPA-NI products would be advantageous to Crown because currently it did not have sufficient supplier choice. It aimed to have at least two qualified suppliers for each coatings and lacquer specification and was therefore trying to get as many suppliers qualified as possible but unfortunately not all suppliers were at the same stage in BPA-NI development.
12. [X]
13. [X]
14. [X]

### **Customer sponsorship and barriers to entry and/or expansion**

15. Crown shared its experience of fostering a number of smaller suppliers' entry to the market [X].
16. [X]
17. Crown suggested that the Italian market, with its preference for local suppliers, gave Metlac the foundation it needed to grow and develop and that this advantage may not be available to non-Italian manufacturers.
18. If the AkzoNobel–Metlac merger were to proceed, Crown would attempt to develop the smaller suppliers in the market further in order to take some business away from a combined AkzoNobel–Metlac business.

### **Parties to the merger**

19. It was evident from the efficient way Metlac ran its plant [X].
20. Crown had occasionally used Metlac as a 'stick' to improve the pricing of AkzoNobel, PPG and Valspar. It had increased the amount of business given to Metlac and would continue to do so if it was not for the uncertainty of the AkzoNobel–Metlac merger.
21. [X]
22. In terms of development of BPA-NI technology, AkzoNobel was behind its competitors and this was one of its principle reasons for trying to acquire the rest of Metlac—'to get themselves back into the race on BPA-NI'.
23. [X]
24. [X]