

SONOCO/WEIDENHAMMER MERGER INQUIRY

Summary of hearing with [Company X] on 13 March 2015

Background

1. [Company X] was established in [X] in 1979. [Company X] produced high-end packaging for the drinks industry (including composite cans and multi-ply tubes) with no direct food contact. Due to a general growth in whisky sales and an increase in popularity of premium whisky, [Company X] had experienced a growth in sales over recent years.
2. [Company X] could make composite cans in different shapes, for example square, rectangular and truncated ovals. It could also make round composite cans in different diameter sizes. Both cans were sold with the bases attached. Marketing generally dictated the type of packaging used. For instance, a rigid box was perceived as higher quality than a composite can. [Company X] also produced corrugate cases and solid board dividers which were used to transport whisky or beer bottles.
3. [Company X] did not have the production capability to produce direct food cans. Due to this, [Company X]'s knowledge of composite cans with direct food contact was limited.

Competition, the role of imports and transport costs

4. [Company X] considered it had four direct competitors for composite cans and did not consider either Sonoco or Weidenhammer as a direct competitor. [Company X] also faced competition from other forms of packaging, for example tins, rigid boxes and cartons.
5. These formats of packaging often came from China or Poland. Europe struggled to be competitive with carton packaging sourced from Asia due to the high labour costs involved and because the packaging was easily transported. Tin also tended to come from Asia, with some manufacturers also in Europe. Crown Packaging was an example of a company that made these alternative forms of packaging.
6. Most of [Company X]'s business was conducted within a 200 mile radius of its [X] factory. This was due to transportation costs and the need to be near its customers (in order to react quickly to any problems or increased demand).

The further away that a customer was, the more challenging it became to service them.

Likelihood of entry

7. [Company X] had considered producing direct food packaging in the past but discounted it due to its growth in non-food packaging and its lack of technical expertise and production capability. For example, it could not produce the internal linings, greaseproof papers or the air barriers required for direct food contact. It also could not produce foil membrane tops. [Company X] did have a BRC food standard rating, but not the level of rating required for the production of direct food packaging. Weidenhammer was considered to have the best technical knowledge in this area of packaging.
8. Despite this, [Company X] would not dismiss a serious proposal to expand into the direct food packaging out of hand, but would give it further consideration and assess whether such a move made commercial sense. A further consideration was that Sonoco is one of [Company X]'s suppliers. Therefore, any move into a marketplace where Sonoco was a dominant provider would need careful consideration.

Potential effects of the merger

9. [Company X] did not think that the merger of Sonoco and Weidenhammer would have any impact on its business.