

Completed acquisition by Sonoco Products Company of Weidenhammer Packaging Group GmbH

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Glossary

Terms of reference and conduct of the inquiry

Terms of reference

1. On 27 January 2015 the CMA referred the completed acquisition by Sonoco of Weidenhammer for an in depth (phase 2) inquiry:
 1. In exercise of its duty under section 22(1) of the Enterprise Act 2002 (the **Act**) the Competition and Markets Authority (**CMA**) believes that it is or may be the case that:
 - (a) a relevant merger situation has been created, in that:
 - (i) enterprises carried on by, or under the control of, Sonoco Products Company have ceased to be distinct from enterprises previously carried on by, or under the control of, Weidenhammer Packaging Group GmbH; and
 - (ii) the condition specified in section 23(2)(b) of the Act is satisfied with respect to the production and supply of composite cans for food products in the United Kingdom (**UK**); and
 - (b) the creation of that situation has resulted, or may be expected to result, in a substantial lessening of competition within a market or markets in the United Kingdom for goods or services, including in the production and supply of composite cans for food products in the UK.
 2. Therefore, in exercise of its duty under section 22(1) of the Act, the CMA hereby makes a reference to its chair for the constitution of a group under Schedule 4 of the Enterprise and Regulatory Reform Act 2013 in order that the group may investigate and report on the following questions in accordance with section 35(1) of the Act:
 - (a) whether a relevant merger situation has been created; and
 - (b) if so, whether the creation of that situation has resulted, or may be expected to result, in a substantial lessening of competition within any market or markets in the UK for goods or services.

Sheldon Mills
Senior Director, Mergers
Competition and Markets Authority
27 January 2015

Conduct of our inquiry

2. We published [biographies](#) on the members of the inquiry group on 27 January 2015, and the [administrative timetable](#) for the inquiry was published on the case page on 12 February 2015.
3. We invited various third parties to comment on the merger. We also sent detailed questionnaires to competitors and customers. In addition, we gathered oral evidence through undertaking hearings with selected third parties, comprising a mix of customers and competitors. Further evidence from third parties was obtained through telephone contact and additional written requests. Non-confidential versions of the [summaries of hearings](#) with third parties are published on the case page.
4. The Initial Enforcement Order imposed by the CMA on 5 November 2015 during the initial stage (phase 1) of the CMA inquiry remained in force, in order to prevent actions that may impede any remedial action taken or required by the CMA following its phase 2 investigation. The inquiry group considered and agreed a number of derogation requests from the parties. The Initial Enforcement Order and the Notices of Derogation are published on the case page.
5. On 16 February 2015, we directed Sonoco Products Company and Sonoco UK Holdings Limited to [appoint a monitoring trustee](#).
6. On 25 February 2015, we published an [issues statement](#) on the case page, setting out the main areas of concern upon which the inquiry would focus.
7. On 5 March 2015, members of the inquiry group, accompanied by staff, visited Sonoco's plants in Manchester and Chesterfield and Weidenhammer's plant in Bradford. They were also given presentations at these sites.
8. We received written evidence from Sonoco, and a non-confidential version of its [main submission](#) is on the case page. We also held hearings with Weidenhammer and Sonoco on 30 March 2015 and 23 April 2015 respectively.
9. In the course of our inquiry we sent to Sonoco, Weidenhammer and third parties some working papers and/or extracts from those papers for comment.
10. A non-confidential version of the provisional findings report has been placed on the [case page](#).
11. We would like to thank all those who have assisted in our inquiry so far.

Industry background

Composite cans

1. Composite cans are most commonly used as packaging for the following products:
 - **Food and powdered beverages.** This includes products such as coffee, tea, gravy and crisps. These products are both branded and supermarket-labelled.
 - **Hand-rolled tobacco.** Although filled and consumed in continental Europe, the composite cans for hand-rolled tobacco are currently manufactured in the UK. Composite cans are purchased as an alternative to flexible packaging, aimed at holding larger quantities of tobacco whilst maintaining its freshness.
 - **Alcohol.** Primarily used for decorative purposes, these cans also offer additional safety features and are used for packaging luxury alcohols.
 - **Other products.** Various other products such as insect repellents and carpet cleaners are packaged in composite cans, usually as an alternative to metal cans.

2. Composite cans are typically made for a customer's specific requirements and can vary according to a number of characteristics:
 - **Barrier properties.** Composite cans for food products were fitted with liners that provided a high barrier to gas or moisture permeation. Typically, the customer specifies the types of materials and liners that are used in the production of the composite cans, thus ensuring the can has the proper barrier properties. [X]
 - **Can diameter and height.** Composite cans come in varying diameters and heights. Sonoco production varies from [X] to [X] in diameter, while Weidenhammer Bradford production varies from a diameter of [X] to [X]. The larger diameter composite cans for food products are often used by catering businesses. Composite cans for non-food products also come in a variety of shapes and sizes, with many supplied to premium alcohol brands.
 - **Ends and overcaps.** Composite cans can be fitted with different ends and overcaps. Metal is the most common type, but paper is also used. The

process of placing ends on the cans is called seaming. Larger customers often specify the types of ends used. [X]

- **Labelling.** The primary aim of the label is to attract customers in the retail environment. However, labels can also have barrier properties. The labels would often be specified in the contract. [X]
- **Spiral vs non-spiral cans.** Single wrap cans can be made to the same size dimensions as spirally wound cans and both can have an inner liner, although the production methods for the two differ. For spirally wound cans the body ply and the label come in rolls, which are wound around a mandrel and then cut to form tubes. For non-spirally wound cans (or convolutes) the body ply and label come in sheets and these are applied to parent tubes before cutting.

Sonoco

3. Sonoco is a US corporation and manufacturer of industrial and consumer packaging products and provider of packaging services, with operations in 33 countries. Sonoco's UK subsidiary for consumer packaging is Sonoco Limited (Sonoco UK).
4. This acquisition increases Sonoco's annual global consumer sales to approximately \$[X]. Sonoco believed this Transaction would grow its worldwide sales of composite cans from approximately \$[X] to \$[X] a year.
5. Although this Transaction is considered to be a consolidating move into an industry well known by Sonoco, it significantly expands Sonoco's consumer packaging business in Europe, which has traditionally been much smaller than its industrial packaging business. European sales are now expected to rise to [X]% of total sales, up from [X]% prior to the acquisition.
6. Sonoco operates four business divisions in the UK: consumer packaging, paper and industrial converted products, protective solutions, and display and packaging. The only type of consumer packaging produced by Sonoco in the UK is composite cans. At the time of the acquisition of Weidenhammer, Sonoco had two plants producing composite cans in the UK, producing a total of [X] million cans in 2014:
 - **Manchester:** At the time of the merger, Manchester had [X] lines producing composite cans as Sonoco had moved an [X] production line from [X] to [X] in [X]. Sonoco planned to move lines [X] from [X] to [X] during 2015. The lines currently in Manchester are: [X].
 - **Chesterfield:** Chesterfield has [X] lines producing composite cans: [X].

7. Sonoco has made two acquisitions in the UK in recent years. Robinson was purchased in 2011 for £2.6 million, which gave Sonoco control of the plant in Chesterfield. Sonoco also purchased the assets and order book of ABPS in April 2012 for £[REDACTED]. This purchase included ABPS's rigid paper container production line, based in Lancashire, which was subsequently integrated into the Chesterfield factory.
8. In 2014, Sonoco UK generated £[REDACTED] of revenue in the UK from the sale of composite cans. This equated to £[REDACTED] from the sale of composite cans for food products in the UK and £[REDACTED] from the sale of composite cans for non-food products.
9. Table 1 below summarises the five largest UK food customers for the Manchester plant, based on 2014 sales revenue.

Table 1: [REDACTED]

[REDACTED]

Source: CMA analysis.

10. In 2014 Manchester only had [REDACTED] non-food UK customer. This was [REDACTED], which spent £[REDACTED], representing [REDACTED]% of Sonoco UK's 2014 non-food sales.
11. Table 2 below summarises the five largest UK food customers for the Chesterfield plant, based on 2014 sales revenue.

Table 2: [REDACTED]

[REDACTED]

Source: CMA analysis.

12. Table 3 below summarises the five largest UK non-food customers for the Chesterfield plant, based on 2014 sales revenue.

Table 3: [REDACTED]

[REDACTED]

Source: CMA analysis.

13. Sonoco also told us that [REDACTED]% of its UK sales of composite cans were imported as none of the UK production sites could produce the diameter of cans required. [REDACTED]
14. Sonoco also told us that the [REDACTED] cans were imported into the UK from its plant in [REDACTED] because none of its UK production sites produced [REDACTED] composite cans. The [REDACTED] composite cans were imported because it was easier to schedule the production of these cans in [REDACTED] and the [REDACTED], meaning transportation costs from France to this site were still affordable.

15. From the Sonoco management accounts, EBITDA stood at £[redacted] and £[redacted] but Sonoco was in a loss-making EBIT position of £[redacted] and £[redacted] in 2014 and 2013 respectively.

Weidenhammer

16. Weidenhammer is a German company that manufactures and supplies consumer packaging products in 12 countries. In Europe, Weidenhammer was the largest producer of composite cans, generating sales of €[redacted] in Germany in 2013. The majority of Weidenhammer's remaining sales, €[redacted], also originated from Europe.
17. Weidenhammer's UK subsidiary is Weidenhammer UK Limited (Weidenhammer UK). Weidenhammer entered the UK in 2008 by buying a plant in Bradford from Chesapeake for [redacted]. In July 2011, Weidenhammer purchased L&D Mouldings and integrated these assets into Weidenhammer UK Limited which opened a new site in Bradford.
18. The Bradford factory at the time of the merger had [redacted] composite can production lines, producing packaging for both food and non-food products, and [redacted] injection moulding machines: [redacted].
19. With output of [redacted] cans in 2014, Weidenhammer's turnover in 2014 from the sale of composite cans for food products to UK customers was £[redacted] and its revenues from the sale of composite cans for non-food products to UK customers was £[redacted].
20. Table 4 below summarises the five largest UK food customers for Weidenhammer Bradford, based on 2014 sales revenue.

Table 4: [redacted]

[redacted]

Source: CMA analysis.

21. Tables 5 and 6 show Weidenhammer UK's plastic sales for 2013 and 2014 respectively. This data includes the sale of square plastic lids and square plastic tubs to [redacted] and other miscellaneous products to [redacted] and [redacted]. The drop in sales to [redacted] is due to the contract being cancelled following a switch to cardboard packaging.

Table 5: [REDACTED]

[REDACTED]

Source: CMA analysis.

Table 6: [REDACTED]

[REDACTED]

Source: CMA analysis.

22. [REDACTED]

23. [REDACTED]

24. Weidenhammer UK's revenue was £[REDACTED] and £[REDACTED] in 2013 and 2014 respectively. EBITDA amounted to £[REDACTED] and £[REDACTED] in 2013 and 2014 respectively whilst EBIT amounted to £[REDACTED] and £[REDACTED].

Overlap in production capabilities

25. As shown in paragraphs 6 and 18, the Sonoco Chesterfield plant has a 'job shop' capability enabling it to easily produce a wide range of diameters whilst the Weidenhammer Bradford plant and the Sonoco Manchester plant focus on producing large volume runs of a limited number of diameters.

26. Sonoco told us that the parties did not overlap for all types of composite can. The parties overlap in respect of [REDACTED] which collectively represent [REDACTED] combined entity's output. The combined outputs of [REDACTED] overlapping diameters are shown below:

Figure 1: [REDACTED]

[REDACTED]

Competitors

27. In recent years the number of large suppliers in the composite cans industry has concentrated. Suppliers such as Robinson's, ABPS, Smurfit Kappa and Chesapeake have all exited the industry. Robinson's and ABPS were bought by Sonoco whilst Weidenhammer entered the UK via a joint venture with Chesapeake in 2008 before buying out its partner's share [REDACTED].

Suppliers of composite cans

28. The following are the main suppliers of composite cans in the UK or which appear to have the potential of entering the supply composite cans in the UK.

Food use

Can Packaging

29. Can Packaging produces composite cans at its sites in Ancenis and Habsheim in France. In 2014, it produced [REDACTED] cans. [REDACTED]

CBT Packaging

30. CBT is located in Basildon, Essex and supplies round paper board drums and composite cans to the food, beverage and household sector. In 2014 CBT had UK sales of £[REDACTED], producing [REDACTED] cans. Of this, £[REDACTED] were sales of direct food contact composite cans, with volumes of [REDACTED]. CBT told us that its capacity was [REDACTED] containers per year, having recently expanded capacity by installing a new [REDACTED] production line. This had cost around [REDACTED]. [REDACTED]
31. [REDACTED]

Visican

32. Visican supplies cardboard tubes, cardboard containers with a fixed base and a removable lid, telescopic containers made from board, plastic containers, spiral wound cores and postal tubes. Visican said that its sales of cardboard tubes with some form of closure were £[REDACTED] in 2014. Only a small percentage of its sales, [REDACTED], were composite cans for food products.

Non-food use

MPS

33. MPS sells spiral wound composite cans for food and non-food products, and non-spiral wound composite cans for food and non-food products in the UK. MPS also sells other forms of paper and board packaging. All of MPS's composite cans are made on the same production lines in its Hamilton plant. The composite cans themselves are used for alcoholic drinks (whisky, rum and vodka), baked products (biscuits), confectionery, dried beverages (tea), personal care/gift sets or jewellery. MPS does not supply cans with direct food contact properties (ie an aluminium lining) so an inner bag is used to seal the products prior to insertion. MPS has BRC accreditation. MPS's UK 2014 revenues were:
- Spiral wound composite cans for non-food – £[REDACTED].
 - Non-spiral wound composite cans for non-food – £[REDACTED].

[REDACTED]

34. [REDACTED] sells composite cans for premium drinks, especially [REDACTED], and corrugated cases and solidboard to the drinks industry and other industries. [REDACTED] said that it is unable to produce composite cans for the food industry. [REDACTED] told us its UK revenue from spirally wound composite cans for non-food use was £[REDACTED] and its revenue for non-spirally wound composite cans for non-food use was £[REDACTED].

Suppliers of other packaging for food use

35. Ardagh sells the following products to UK customers: glass jars for food, metal food cans and ends for vegetables and fruit; and glass bottles for beer, sauces, spirits and wine. Ardagh also sells non-food packaging including aerosols and metal paint cans. Ardagh's UK sales of metal containers in 2014 on a delivered basis were £[REDACTED] and its glass sales were £[REDACTED].
36. Crown Packaging sells metal containers in the UK. Crown told us it sold food cans for powders (infant nutrition milk & others) and promotional metal packaging in the following segments: biscuits, confectionery, coffee, tea, cosmetics (perfumes), wines, spirits, tobacco and gifting. [REDACTED]
37. Huhtamaki, through its plant in Gosport, sells plastic cups and lids for use in dairy dessert products and plastic pots for syrups and dips, for example ketchup. Huhtamaki said that its Lurgan site produced cup carriers, egg cartons and egg trays.
38. Optima supplies filling machinery to food manufacturer that can create a packaging format including the Softcan, a non-rigid container which can be used to pack powdered beverages. Optima said that although no companies in the UK were currently using the Softcan, it expected the packaging format to be used in the future and was targeting large potential customers in the UK.
39. SP Containers sells non-spiral composite cans for food, paper and board packaging and flexible packaging in the UK. It said that its packaging was predominately for the ice cream sector and the sizes varied from 80 ml to one litre paperboard containers. SP Containers' customer base varies from large companies to local farmers. Its revenue from non-spiral composite cans for food was £[REDACTED] in 2013 and these Ceka cans were imported into the UK from abroad.

Customers

40. Sonoco currently has [REDACTED] customers at its Chesterfield and Manchester plants, while Weidenhammer has [REDACTED] customers. These vary from large

customers like Premier Foods, which spent £[REDACTED] with Sonoco in 2014, to smaller customers like [REDACTED].

41. The [REDACTED] customers which purchased more than £[REDACTED] worth of composite cans for food in the UK in 2014 make up over three quarters of the parties' total revenue in this industry. These figures are outlined in Figure 2 below.

Figure 2: [REDACTED]

[REDACTED]

Source: [REDACTED].

42. As Figure 2 shows, the largest purchasers of composite cans in the UK do not dual source. [REDACTED] switched its supplier agreement from Sonoco to Weidenhammer at the end of 2014 and [REDACTED] was intending to consolidate to a single supplier in Weidenhammer. Therefore the parties with unique supplier agreements made up [REDACTED]% of the revenue outlined in the figure above.
43. Long-term contracts were reached by Sonoco with [REDACTED] and by Weidenhammer with [REDACTED], lasting up to ten years. [REDACTED]
44. Prices are set between the parties and some of their customers using an open book pricing method.¹ In these contracts, the prices paid are broken down into the costs of input materials, plus a conversion margin to offer a return on capital (following negotiations) and cover indirect costs such as administrative and management expenses. Sonoco's prices are then updated annually or semi-annually according to the changes in the costs of these material inputs, based on mutually recognised indices for items like paper and metal costs. Any renegotiation of prices leads to a new starting cost for each component of the open book pricing model which then moves according to the indices. The advantage of open book pricing is that the costs are more transparent for the customers, and the price does not need to be renegotiated if the price of raw materials changes, as the negotiated price will adapt.²

Sonoco customers for composite cans

45. Sonoco UK's [REDACTED] customers, based on 2014 sales, were [REDACTED]. We discuss these and other customers in more detail below.

¹ Sonoco sets [REDACTED]% of its prices through an open book method, for repeat orders (not one-off promotional packs).

² [Sonoco initial submission](#), paragraph 6.4.

Premier Foods

46. Premier Foods spent £[REDACTED] with Sonoco UK on composite cans in 2014. [REDACTED] The original 2008 contract we reviewed covered multiple products, including [REDACTED]. The contract covered many different sizes of cans, but the largest volumes, around [REDACTED].

Nestlé

47. Nestlé spent £[REDACTED] with Sonoco in 2014. [REDACTED]
48. [REDACTED]

Goldenfry

49. Goldenfry spent £[REDACTED] with Sonoco in 2014. Goldenfry said that it primarily used composite cans in the production of gravy granules under the brand names of most of the UK's major grocery retailers and wholesalers. The composite can was an accepted format by all of these retailers/wholesalers because of its likeness to the packaging of Bisto, with which the retailers/wholesalers intended their own brands to compete.
50. [REDACTED]

Knighton/Phoenix

51. Knighton/Phoenix spent £[REDACTED] with Sonoco UK on composite cans in 2014 for powdered chocolate. [REDACTED]
52. [REDACTED]

Mondelez

53. Mondelez spent £[REDACTED] with Sonoco UK on composite cans in 2014, primarily for drinking chocolate powder. Mondelez said that it was working to move to a single supplier and was shifting from Sonoco to Weidenhammer in order to leverage scale and simplify the management of composite cans.

Tata

54. Tata spent £[REDACTED] on composite cans in 2014, approximately [REDACTED] of which were purchased from Sonoco. The remaining purchases were bought from Weidenhammer as Tata had a multi-purchasing policy. Tata also packages its products in cartons and flexibles with sales values of £[REDACTED] and £[REDACTED] respectively in 2014.

Weidenhammer customers for composite cans

55. Weidenhammer's [X] UK customers, based on 2014 sales, were [X].

Mondelez

56. Mondelez UK spent £[X] on composite cans purchases from Weidenhammer for its UK products in 2014. [X]

Knighton/Phoenix

57. Knighton/Phoenix spent £[X] on Weidenhammer composite cans in the UK in 2014. [X]

United Biscuits

58. United Biscuits spent £[X] with Weidenhammer on composite cans in 2014 [X].

Goldenfry

59. Goldenfry spent £[X] with Weidenhammer in 2014. [X]

60. As described above, Goldenfry moved substantial business from Sonoco to Weidenhammer. [X]

Seasonality and demand

61. Aspects of the supply of composite cans for food use are characterised by high seasonal demand. For instance, products such as gravy granules and hot drinks powders tend to be consumed outside the summer months, with peaks experienced over the Christmas and Easter holidays. To meet this increased demand, the parties do not store excess capacity as the rigid structure of composite cans and the inability to stack them economically means that storage costs are too high. For instance, current storage at the Sonoco UK facilities only allow Sonoco to keep [X] worth of stock.

62. Therefore the parties tend to work at close to full capacity to supply the increased seasonal demand and operate with excess capacity during downtimes. The Bradford and Manchester plants run at about [X]% whilst the Chesterfield plant's utilisation is slightly lower at approximately [X]% with production increasing [X] between [X] compared to the rest of the year.

63. The very high storage cost of composite cans also means that once volume reaches a certain threshold it becomes more economical to build new

production lines and operate at lower capacity, rather than to produce additional cans in advance of delivery with the existing machinery and store the additional output for long periods of time.

64. Seasonality also has an impact on the administration of the production facilities. Staff working hours are annualised as a result of seasonality, working longer hours during the more busy periods. Periods of lower activity are also used as an opportunity to train staff, perform maintenance work on the machines and perform operational changes to the business such as building new production lines or transferring lines across sites.

Margin analysis

Introduction

1. In this appendix we first present the parties' margin analysis, give our assessment of the parties' evidence, and then present our own price analysis.

[✂]

Tender data

Introduction

1. In this appendix we summarise the results of our analysis of two sets of tender data: the tender data provided by larger customers and the tender data provided by Sonoco.

Larger customer tender data

2. We received tender data from four customers: [REDACTED]. The full data is given in Table 1 below. The tenders covered four companies and the period from 2009 to 2015. We excluded the [REDACTED] tender from our analysis as this included Robinson, a firm that was taken over by Sonoco when it purchased the Chesterfield site. This tender was therefore not representative of the pre-merger competitive environment. We therefore based our analysis on ten tenders.
3. The results show that eight out of ten tenders involved only Sonoco and Weidenhammer. In one tender Can Packaging also bid against Sonoco and Weidenhammer. In one tender [REDACTED] bid against Weidenhammer and [REDACTED] was awarded the tender as the tin packaging format was preferred by [REDACTED] marketing team.

Table 1: [REDACTED]

[REDACTED]

Source: [REDACTED].

4. Data supplied by Sonoco covered a total of [REDACTED] tenders from 2011 to 2015, covering both Chesterfield and Manchester. In the remainder of this section we present our analysis of this tender data, including a discussion of the representativeness of the sample.

Results of tender analysis

5. At an aggregate level across both sites, Manchester and Chesterfield, [REDACTED] was present in [REDACTED] out of [REDACTED] tenders (approximately [REDACTED]%). There was a substantial difference between Chesterfield and Manchester tenders. For Manchester, Weidenhammer was present in approximately [REDACTED]% of tenders. For Chesterfield, Weidenhammer was present in approximately [REDACTED]%.

6. Comparing food and non-food tenders, across both sites, [redacted] competed more frequently with Sonoco for food tenders (approximately [redacted]%) compared with non-food tenders (approximately [redacted]%). Across both sites, the parties appeared to face each other more frequently in tenders specifically for composite cans (approximately [redacted]%) compared with wider tenders (approximately [redacted]%). Comparing tenders for existing and new customers showed that [redacted] competed more frequently with Sonoco for existing customers (approximately [redacted]% compared to approximately [redacted]% for new customers).
7. Table 2 below summarises the results for food and non-food tenders at Chesterfield.

Table 2: [redacted]

[redacted]

Source: [redacted].

8. Table 3 below summarises the results for food and non-food tenders at Manchester.

Table 3: [redacted]

[redacted]

Source: [redacted].

Representativeness of sample

9. The tables below give the value of tenders won in each year and the sales of the Chesterfield and Manchester plant in that year.

Table 4: Chesterfield sales and tender value

Year	Tender value (£)	Sales	Percentage
2011	[redacted]	[redacted]	[0–10]
2012	[redacted]	[redacted]	[0–10]
2013	[redacted]	[redacted]	[0–10]
2014	[redacted]	[redacted]	[0–10]
2015	No data	Not available	Not available

Source: CMA analysis.

Table 5: Manchester sales and tender value

Year	Tender value (£)	Sales	Percentage
2011	[redacted]	[redacted]	[0–10]
2012	[redacted]	[redacted]	[0–10]
2013	[redacted]	[redacted]	[0–10]
2014	No data	[redacted]	Not available
2015	No data	No data	No data.

Source: CMA analysis.

10. The results suggest that the tender data covers a small percentage, between [X]% and [X]% of sales from each plant. We therefore carried out further work to assess the representativeness of the samples of Chesterfield and Manchester tenders, focusing on tenders for 2011 to 2014 as we had data for both these periods. We focused on food tenders, as other analysis suggested there was unlikely to be an SLC in the supply of composite cans for non-food use.

[X]

Figure 1: [X]

[X]

Source: [X].

11. [X]

[X]

Figure 2: [X]

[X]

Source: [X].

12. [X]

Third party views

Introduction

1. In this appendix we summarise the views of third parties, including competitors and customers.
2. We received evidence from 30 customers who purchased composite cans for food use, including three firms the parties identified as co-packers. These customers represented over 90% of the parties' UK sales of composite cans for food use in 2014.
3. We received evidence from seven UK customers who purchased composite cans for non-food use. These customers represented over 40% of the parties' UK sales of composite cans for non-food use in 2014.
4. We first present the evidence for composite cans for food use and then the evidence for composite cans for non-food use.

Composite cans for food

5. Figure 1 below shows a histogram of the parties' sales of composite cans for food use in 2014, split by customer, and those customers that we received responses from.

Figure 1: [✂]

[✂]

Source: CMA analysis of parties' response to market questionnaire.

6. Figure 1 shows that the bulk of customers spend less than £100,000 and the responses we received suggested that customers who spent less than £100,000 were typically less concerned regarding the effects of the merger and, based on data supplied by Sonoco, appeared to purchase similar amounts to existing CBT and Visican customers. Therefore, in the summary of customer views below, we have divided the responses into larger customers and smaller customers, depending on whether they spent more or less than £100,000 on composite cans for food use in 2014. While the size of purchases affected customers' options, we recognised that other factors, including the characteristics of the can purchased, also affected their options and there was no clear segmentation between customers spending more or less than £100,000.

Competition between Sonoco and Weidenhammer and the effect of the merger

7. [✂]
8. [✂]
9. Goldenfry said that it ran a tender for the supply of composite cans in 2009. Sonoco won, Robinson was the runner up and Weidenhammer was third. In September 2014 Goldenfry switched to Weidenhammer, with Sonoco the next best alternative. [✂]. Goldenfry was concerned that, following the merger, there would be reduced competition to supply Goldenfry when its current contract expired in five years' time. [✂]
10. Huegli said that the merger would reduce market choice by a large portion. No other suppliers could offer the same financial costs for Huegli and it would therefore have to increase its prices.
11. Knighton/Phoenix was not aware of any other firms apart from Sonoco and Weidenhammer that could supply it with composite cans. Knighton/Phoenix said that Sonoco and Weidenhammer were the only two suppliers of composite cans (in the format it required) to the UK as far as it was aware. Following the merger there would be very little competition in the UK market.
12. [✂]
13. Mondelez believed that Sonoco and Weidenhammer were the strongest and biggest suppliers for composite cans. It anticipated that the merger would lead to a price increase as it would have less choice on switching to alternate suppliers for composite cans.
14. [✂] The merged companies might offer benefits to Nestlé in terms of innovation and service; however it would be concerned about the risk of price increases. Given the size of its purchases Nestlé was watching the market.
15. Premier Foods said that Sonoco was the only UK-based company that could supply it with the necessary volumes of composite cans. Weidenhammer could not supply the volumes Premier Foods required and it preferred to use a single supplier as that leveraged its scale.
16. [✂]
17. [✂]
18. Yorkshire Crisps said that Sonoco and Weidenhammer were the only two companies that could manufacture to its specifications. If the merger went

ahead, there would not be any competition for its specification of composite cans within the UK.

19. The majority of small customers said that they were not concerned by the merger. [REDACTED]

Competition from other suppliers of composite cans for food use

20. CBT said that it did compete with Sonoco and Weidenhammer but their ranges varied so it did not clash often but an increase of [REDACTED]% could stimulate some of their customers to move, [REDACTED]. CBT had the ability to produce a sunken foil diaphragm (recessed membrane) suitable for cocoa powder products and peelable ring pull ends. CBT believed it did not matter which membrane customers used, although a recessed membrane was cheaper than a peelable aluminium seal. CBT stated that this was not difficult for it to produce, as it only required the use of a standard metal end seaming machine. CBT told us that it considered itself to be in competition with Sonoco on smaller volumes, and had previously turned away customers as it had not been able to produce the required volume of cans. [REDACTED]. CBT told us that it had noticed an increase in enquiries since the Sonoco/Weidenhammer merger was announced, particularly for high volume production work. It told us that a price increase of 5% by the merged parties could stimulate some of their customers to move to CBT, eg [REDACTED].
21. Visican said that it had competed with Robinson when it owned the Chesterfield plant, but was not in competition with Sonoco and Weidenhammer. Visican stated that for cardboard tubes Visican did not possess the technology to produce a foil lining airtight seal for cans. This would be the technology required to produce, for example, drinking chocolate cans. Visican was not interested in this area, nor in supplying customers like Goldenfry.
22. [REDACTED] said that Sonoco and Weidenhammer were the only two firms that could produce the types of cans they required and CBT Packaging and Visican could not produce the required cans. [REDACTED] told us that they had not heard of some or all of the alternative suppliers of composite cans (CBT, Visican and Can Packaging) and that they regarded the parties as the main or only suppliers in the market.
23. Goldenfry said that Sonoco and Weidenhammer were the only firms at present known to be able to meet its requirements for food grade approved materials, production capacity, composite can sizes to match Bisto, BRC Food Standard manufacturing sites and pricing that allowed Goldenfry to meet its customers' requirements. Goldenfry had bought composite cans from CBT

from 2007 to 2009, but was unaware of other firms that could meet its requirements. Visican had insufficient capacity for Goldenfry. [REDACTED]. Goldenfry told us that it was now in active discussions with Can from which it had not previously purchased. It had also, following the merger, appointed an independent procurement specialist to identify and investigate alternative suppliers to establish a viable contingency supply route.

24. Huegli said that CBT and Visican could not supply them with the required composite cans.
25. Knighton/Phoenix said that it was not aware of alternative suppliers of composite cans for food products other than the parties and had never purchased from CBT or Visican.
26. [REDACTED]
27. Mondelez said that Can was an alternative producer of paper composite cans, and switching to this would involve investment in new packaging machinery. Mondelez told us that it required a European supplier for composite cans. [REDACTED]
28. Nestlé said that it had never purchased cans from [REDACTED]. Nestlé said that [REDACTED] could offer a flat composite material that could then be formed in the factory. [REDACTED]
29. Premier Foods said that CBT and Visican were not viable alternatives as they could not supply the volumes Premier Foods required.
30. Tata said that it had not traded with CBT or Visican and had not validated their capability. [REDACTED]
31. [REDACTED]
32. Yorkshire Crisps said that it was not aware of alternatives in the UK. CBT produced composite cans, but did not offer the 'anaconda' seal that it required to prevent oil seepage into the cardboard can. It had not heard of Visican.
33. Some small customers were unaware of alternative suppliers to the merging parties and we found limited evidence of switching between the merging parties and other suppliers of composite cans for food products. Aduna believed that only Sonoco and Weidenhammer could provide the inner lining and the air fresh seal that they require.
34. Equal Exchange Trading said that it would consider changing supplier if the price rose as much as 10%.
35. [REDACTED]

36. Humdinger told us that a 5% price rise would not trigger a switch if it was due to a wider trend in prices but it might if it was due to Sonoco's desire to increase profits.
37. Humdinger and [REDACTED] told us that they had not heard of some or all of the alternative suppliers of composite cans (CBT, Visican and Can Packaging) and that they regarded the parties as the main or only suppliers.
38. [REDACTED] told us that it would be unlikely to switch to another supplier if prices were raised by 5%, due to the party's superior service (shorter lead times) and currently cheaper price, but it would look at other suppliers. Competition from alternative packaging formats
39. Ardagh supplied metal and glass packaging in the UK and said that Sonoco and Weidenhammer were not its direct competitors.
40. CBT told us that, from its experience, marketing decisions from customers could quickly change the type of packaging used for a product. It told us that there were many competitive products to spirally wound composite cans, such as plastic containers, flow wrap, flexible packaging and cartons. CBT stated that although some products moved out of composite cans and others in, popularity for the packaging format generally did not seem to change.
41. Crown Packaging produced metal containers and considered itself to be in limited competition with Sonoco and Weidenhammer. It said that a number of the composite can products competed in a small number of areas, notably beverage powders (coffee etc.), gift tubes, powdered infant formula, wines and spirits and, to a lesser degree, promotional gift packaging.
42. Huhtamaki said that it was not in competition with Sonoco or Weidenhammer.
43. Leeways supplied rigid plastic containers and said that it did not compete against Sonoco or Weidenhammer.
44. MPS supplied non-food composite cans and paper and board packaging in the UK. It said that it did not compete on a like-for-like basis, as it did not have the capability to produce direct contact tubes with an aluminium liner, diaphragm and gas flush properties.
45. SP Containers said that it had not seen wins or losses against Sonoco or Weidenhammer because customers had to change packaging machinery to switch from composite cans to SP Container's Cekacans.
46. [REDACTED] supplied composite cans for non-food use, primarily [REDACTED]. [REDACTED] said that it was not a competitor of Sonoco or Weidenhammer.

[REDACTED]

47. [REDACTED]

48. [REDACTED]

49. [REDACTED]

50. [REDACTED]

51. [REDACTED]

52. [REDACTED]

Goldenfry

53. [REDACTED]

54. [REDACTED]

55. [REDACTED]

56. [REDACTED]

Huegli

57. Huegli produced a range of food products, including products for food service and private label. [REDACTED]

58. Huegli said that rigid plastic was the only suitable format it could consider switching to. A&R/SP Containers could supply a composite style can and RPC and Taylor Davis could supply it with plastic containers.

59. [REDACTED]. The open book pricing data supplied by the parties did not cover Huegli.

60. [REDACTED]

Knighton/Phoenix

61. Knighton Phoenix was a joint venture that produced dry powdered and granular food products including hot chocolate, frappe blends, milkshakes, custard, instant desserts, iced tea, stuffing mix, gravy powder and cornflour. [REDACTED]

62. [REDACTED]

63. [REDACTED]

Marigold

64. [✂]

65. [✂]

66. [✂]

67. [✂]

Mondelez

68. Mondelez purchased composite cans for its beverage products only, primarily for Cadbury drinking chocolate powder. It used some alternative packaging formats for its drinking chocolate, such as rigid plastic containers in the UK and flexible pouches in Germany. For its coffee brands such as Kenco, it currently used both composite cans and metal cans for its packaging.¹ It was currently using a co-packer for its Green and Black's product, which represented around [✂]% of UK volume.

69. Mondelez considered switching to flexible pouch packaging for its drinking chocolate powder products. However, this was ruled out for two reasons. First, the cost of the change in machinery and second the views of its marketing department, which stated that the product should remain in composite cans.² Mondelez carried out research frequently on product type.

70. Mondelez had considered moving other products into composite cans such as baking powder and vanilla powder, which are currently in tins. However, this move into composite cans was rejected by its marketing department as it believed metal tins had a more 'premium look' and it would be able to sell more products on this basis.³

71. [✂]

72. [✂]

Nestlé

73. Nestlé said that it had three types of products in composite cans. One set of composite cans was for Coffee-Mate. The second was Nestlé Professional, its

¹ [Mondelez hearing summary](#), p1.

² [Mondelez hearing summary](#), p2.

³ [Mondelez hearing summary](#), p2.

catering coffee tubs of 500 g, 1 kg and 3 kg. The third was seasonal confectionery, including things like Fruit Pastilles. [✂]

74. [✂]

75. [✂]

76. [✂]

77. [✂]

Premier Foods

78. Premier Foods said that Bisto, Saxa Salt and Bird's Custard were the main products it packaged into composite cans. [✂] It had some similar products in glass (Bisto Best) and plastic (Oxo Shake and Flavour). It didn't use co-packers as it had enough capacity in-house.

79. Premier Foods told us that most of its brands were available in other forms of packaging, driven by customer preference. This gave Premier Foods multiple locations on shopping aisles, helping brand awareness and sales.⁴

80. [✂] It had done research in 2008/09 to assess the benefits and costs of the two options, including [✂]. It said that consumer research was regularly carried out by its marketing department.

81. [✂]

82. [✂]

Tata

83. Tata said that it purchased composite cans to put tea into, tea which was sold in Canada. Tata also sold tea in Canada in cartons, but these were for the larger packs of 100 or 200 tea bags. [✂] In the UK Tata also packed teabags into flexible packaging.

84. [✂]

85. [✂]

86. [✂]

⁴ [Premier Foods hearing summary](#), paragraph 4.

87. Tata told us that it considered the composite can to be more expensive than other forms of packaging. It considered it unlikely that UK customers would actively want to move into a more expensive pack format, especially as the supply of packaging was cost-competitive with supermarkets being demanding of their suppliers and looking for reduced costs.⁵

United Biscuits

88. United Biscuits said that it used composite cans to package bake snacks that were primarily sold during the Christmas period. Twiglets and Mini Cheddars were sold in 99 mm EVO cans. United Biscuits did sell the same products in flexible packaging, but the different formats were aimed at different target groups. [REDACTED]
89. [REDACTED] To put this into context, United Biscuits spent £[REDACTED] on composite cans in 2014. [REDACTED]
90. United Biscuits also highlighted the importance of competition in the retail environment. [REDACTED].⁶ [REDACTED].⁷
91. [REDACTED]
92. [REDACTED]

Yorkshire Crisps

93. Yorkshire Crisps sold its crisps in flexible packaging and composite cans.⁸ [REDACTED]
94. Yorkshire Crisps said that, as far as it was aware, there was no other form of packaging that it could use as a substitute for composite cans, without jeopardising its unique premium presentation and brand image established over the past eleven years. There were only two companies that could manufacture to its specification. In the ten years it had been selling crisps two other companies had tried and failed to manufacture alternative packaging.
95. Yorkshire Crisps said it could not remember when the last price increase was implemented.

⁵ [Tata hearing summary](#), paragraph 11.

⁶ [United Biscuits hearing summary](#).

⁷ [United Biscuits hearing summary](#), paragraph 5.

⁸ [Yorkshire Crisps website](#), consulted 1 April 2015.

96. Yorkshire Crisps said that even if the price of composite cans was to increase by 5%, it would not be in its best interest to switch to any alternative packaging formats currently available.

Smaller customers

97. Some small customers could only use composite cans because they were third party manufacturers and their customers specified the packaging. Others had the ability to switch packaging forms but used composite cans due to their properties, because their rivals did or because downstream consumer demand preferred composite cans. Only one company we spoke to was considering changing packaging forms.
98. Aduna told us that the majority of its rivals used flexible packaging, but it preferred to stand out from its competitors and believed that composite cans suggested that its brand was a premium one. However, if the price of composite cans was raised significantly, it would have to move into flexibles.
99. [✂]

Competition from imports

100. [✂] However, [Can Packaging] was considering supplying the UK market from continental Europe. Can Packaging told us that until the end of 2014, it was just keeping up with demand and had very little spare capacity to expand. However, having invested significantly in its existing plants in France (doubling their sizes) it had spare capacity to enter into new markets, the UK included.⁹ Can Packaging told us that it was currently negotiating a very big contract with a food client in the UK through an agency.¹⁰
101. [✂]
102. MPS told us that it was aware of agents that source composite cans for customers from Asia (for example). They were relatively new to the market, and MPS was unsure of their price points, volumes, or whether they could source composite cans for direct food contact.¹¹
103. Visican said that it was not in competition with imports.
104. [✂]

⁹ Can Packaging hearing summary, paragraph 4.

¹⁰ Can Packaging hearing summary, paragraph 6.

¹¹ [MPS hearing summary](#), paragraph 8.

105. Goldenfry said that it was aware of Can Packaging and had contacted them regarding the possibility of supplying composite drums. It continued to discuss with Can Packaging the feasibility of it producing composite cans of a satisfactory specification, but no conclusion had yet been reached.
106. Huegli said that it would not want to import composite cans as the transport costs would be too high.
107. Knighton Phoenix said that it would consider importing from mainland Europe depending on price comparison and haulage costs.
108. [REDACTED]
109. Mondelez said that it would be challenging to build up an import supply scenario as a viable alternative due to transport costs disadvantages.
110. Nestlé said that it had looked at importing composite cans, [REDACTED].
111. Premier Foods said that it could import composite cans from anywhere in theory, but the choice would depend on price, service, flexibility of supply and quality. It said that Can Packaging could not supply all of its demand. It also told us that it had made a strategic decision to support UK suppliers.¹²
112. Tata said that it would only consider importing from western Europe, due to the inefficiency of transporting a lot of empty packaging.
113. [REDACTED]
114. Yorkshire Crisps said that it did not consider imports as it would most likely have to commit to purchasing larger volumes.

Composite cans for non-food

Competition between Sonoco and Weidenhammer and the effect of the merger

115. Battles, which supplied lice powder in composite cans, had been using Sonoco for over five years and was not aware of other suppliers. Battles was not concerned about the merger.
116. [REDACTED]
117. [REDACTED]

¹² [Premier Foods hearing summary](#), paragraph 4.

118. PJ Colours, which supplied pigments for cement in composite cans, said that it was not concerned about the merger.
119. WBC, which sold a range of gift, presentation and transit packaging said that it was not concerned about the merger.

Competition from other suppliers of composite cans for non-food use

120. [REDACTED] said that it was in competition with other suppliers of composite cans for non-food use.
121. MPS said that it saw McLaren, MSO, Smurfit Containers and Visican as competitors.
122. Battles had not heard of Visican, CBT or other composite can providers.
123. [REDACTED]
124. PJ Colours said that it saw CBT Packaging as an alternative to Sonoco and Weidenhammer.
125. WBC was aware of Sonoco and Weidenhammer as suppliers of composite cans. WBC had heard of CBT Packaging and Visican but had not used these suppliers.

Competition from alternative packaging formats

126. Ardagh said that it was not a competitor for the supply of composite cans for non-food use.
127. Crown Packaging said that it was in limited competition with Sonoco and Weidenhammer because it faced some competition from composite cans for non-food use in spirits, wines and gift tubes.
128. Huhtamaki said that it was not in competition with non-food composite cans.
129. Leeways supplied rigid plastic containers and said it did not compete against Sonoco or Weidenhammer.
130. MPS said that it sold composite cans for non-food products and regularly competed against rigid boxes, metal containers (same as cans but made from steel), wooden boxes or even combinations of these.
131. SP Containers produced single wrap composite cans for food, paper and board packaging and flexible packaging and said that it was not in competition with composite cans for non-food products.

132. Visican produced composite cans for non-food products and said that it was always in competition with other types of packaging, including cardboard boxes, flow wrap and flexible packaging. When customers chose Visican it was usually because composite cans fitted with how they wished to portray their product.
133. [REDACTED] said that it sold composite cans for non-food products and its products were in competition with tins, rigid boxes and cartons.
134. [REDACTED]
135. Dr Print said that it used composite cans because its downstream consumer specified the packaging form, and so it had no ability to switch packaging forms.
136. Expac said that it operates as a third party manufacturer and so could not choose which packaging material to use.
137. PJ Colours said that it would consider using plastic containers; and rigid plastic containers, supplied by RPC, were price competitive.
138. WBC said that it could use a wide range of alternatives, including rigid paper tubes.

Competition from imports

139. [REDACTED]
140. MPS said that composite tubes were expensive to transport, but it regularly competed with folding box board cartons that were supplied from outside the UK, Duran Dogan of Turkey being a prime example.
141. Visican said that it was not in competition with imports.
142. [REDACTED] said that it was in competition with imports from China, France, Poland, Taiwan and Turkey.
143. [REDACTED]
144. WBC said it could import rigid paper tubes from its factory in China.

Likelihood of entry

Introduction

1. This appendix sets out evidence gathered on barriers to entry and expansion in the UK composite can industry and is structured as follows:
 - (a) The history of entry, expansion and exit in the supply of composite cans in the UK.
 - (b) Parties' views regarding barriers to entry and expansion in the supply of composite cans in the UK.
 - (c) Parties' views on the likelihood of entry/expansion, including the potential for sponsored entry/expansion supported by larger customers.

History of entry, expansion and exit

2. This section sets out historic information on past entry, expansion and exit. Entry and expansion has been limited. Both parties have operated in the UK for at least the last seven years and there have been no new entrants in the last five years.

Weidenhammer

3. Weidenhammer's original UK operation at Bradford was formerly owned by MPS and was divested and sold to Weidenhammer in 2008.
4. Weidenhammer's current facility in Bradford was specified by Weidenhammer and construction work took 11 months. The factory was completed in July 2011 and the first of three production lines was moved into the new building. Operations were launched in August 2011 with the production of composite cans primarily for snacks, instant drink powders, tobacco and other products in three different diameters including 73, 99 and British standard size 93.7 mm.¹
5. Weidenhammer diversified from its core business of composite cans in 2013 with the production of its first plastic packaging for United Biscuits. At the time the trade press reported that Weidenhammer considered this to be the

¹ *Packaging Today* news release: [Weidenhammer opens new plant in Bradford, England](#).

starting point for the rollout of an important plastic packaging business for the company.²

Sonoco

6. Sonoco entered the UK supply of composite cans with its Manchester plant in 1990 through a joint venture with Carnaud Metal Box (CMB) and bought out CMB in 1994.³ Since entering, Sonoco has made two purchases which expanded its supply of composite cans. In 2011 Sonoco purchased the rigid paper container business of Robinson⁴ (the Chesterfield site), and in April 2012 Sonoco purchased a rigid paper container production line (and order book) from ABPS, a Lancashire-based consumer packaging company.⁵

History of exit

7. Sonoco stated that numerous suppliers of composite cans for food in the UK had exited the market in recent years, including Robinson, ABPS, Smurfit and Chesapeake and that this process continued and the exit of additional suppliers (with excess unused capacity) was inevitable as the market continued to shrink. Sonoco stated that this consolidation was due to firms struggling to achieve sufficient throughput and being unable to operate profitably. We noted that other reasons for firms struggling to operate profitably could also include an inefficient cost base and the existence of barriers to entry and expansion.
8. We noted that in the case of Robinson and ABPS, although these companies no longer operated in the supply of composite cans, the capacity that they had operated had been incorporated into Sonoco's UK operations and had therefore not exited.

Barriers to entry and expansion

Asset requirements

Types of assets

9. Production lines for composite cans comprise machinery covering several stages of production including: material feeders, winders, cutters, labellers,

² *Packaging Today* news release: [Weidenhammer passes UK IML 'milestone'](#).

³ www.thefreelibrary.com.

⁴ [Robinson plc, Sale of subsidiary](#).

⁵ See the [Packaging News website](#).

finishers/seamers, cappers and palletisers. We identified several main suppliers of machinery for spiral-wound composite can production⁶:

(a) Gebr. Leonhardt GmbH & Co KG Blema Kircheis.⁷

(b) Hörauf.

(c) Majer.

(d) Manz Automation GmbH.⁸

(e) Markhorst.

(f) Pakea.⁹

(g) Paper Machinery Corporation.

(h) R. Laurent and SAB Burkhardt GmbH.¹⁰

10. It did not appear that securing a supply of machinery was likely to be a barrier to entry or expansion.

Cost of assets

11. There was a range of evidence on the cost of assets required to enter or expand into the supply of composite cans in the UK. Most evidence concerned the purchase of new manufacturing equipment. Weidenhammer told us that it had [redacted] to expand production in a limited number of cases, and that equipment manufacturers were sometimes able to help source [redacted]. Whilst premises were sometimes rented by suppliers, there was no evidence that suppliers sought to reduce upfront capital costs by leasing the equipment required for the supply of composite cans in the UK.

12. Production lines appeared to cost between [redacted] and a maximum of around [redacted], with facilities costs likely to increase the total investment required to up to [redacted]. We noted some concentration in the cost for production lines from [redacted]. For example:

(a) Can Packaging estimated the cost of a new packaging plant with two production lines to be around [redacted]. [redacted]. Can Packaging said that some of

⁶ Also see [Optima Packaging](#) for non-spiral wound composite cans.

⁷ [Blema website](#), accessed 16 March 2015.

⁸ [Manz website](#), accessed 16 March 2015.

⁹ <http://www.pakea.eu/eng/>, accessed 15 May 2015.

¹⁰ [Sab-burkhardt website](#), accessed 16 March 2015.

the equipment could be shared between lines so the total cost might be somewhat lower.¹¹

- (b) CBT [redacted] new production line for manufacturing composite cans for food [redacted].
 - (c) Goldenfry had previously been provided by suppliers with estimates for the whole of the capital investment for production lines that could meet its volume demands which amounted to £3.2 million. No further work was carried out to find alternative lower cost means of acquiring the manufacturing capacity.
 - (d) MPS told us that a new production line would cost around £600,000.
 - (e) Nestlé said that it took the cost of production lines into account when undertaking its make or buy assessment. Nestlé told us that expenditure for a new production line ([redacted]) could range from £1.5 million to £4 million.
 - (f) SP Containers told us that composite can machines cost around £500,000 per machine.
 - (g) Sonoco had purchased [redacted] from ABPS in April 2012.
 - (h) Sonoco told us that for a paper bottomed can, the best available technology, would cost around [redacted].
 - (i) Sonoco cited the cost of a full, basic production line as being [redacted], whilst a more sophisticated facility capable of producing large volumes could cost up to [redacted].
 - (j) Weidenhammer told us that its [redacted] line installed in 2014 cost £[redacted] in total.
 - (k) Weidenhammer told us that it had invested in a [redacted] mm line that had cost [redacted] million. Weidenhammer had [redacted].
 - (l) Visican stated that to compete with Sonoco/Weidenhammer's it would need a new factory costing approximately £2.5 million and an investment in machinery of at least £2 million.
13. We noted that expansion via investment in new production lines can be in order to fulfil specific requirements of particular customers or linked to customer assets, for example:

¹¹ [redacted]

- (a) Weidenhammer had invested in a [REDACTED] mm line with paper bottoms for its [REDACTED] business (as above).
- (b) SP Containers told us that asset requirements can be dependent or partially dependent on the filling requirements of food manufacturing customers. SP said that for a new entrant considering entering the production of composite cans the ability to enter would be highly linked to a customer's investment in packaging machinery. SP Containers said that currently the Sonoco and Weidenhammer customer base do not have relevant machinery/equipment to be able to switch to its products, so a possible expansion of its composite cans business would start with a customer decision to buy the relevant machinery.
- (c) Mondelez told us that [REDACTED].¹²

Cost of entry and return on investment as a barrier to entry and expansion

- 14. Several parties told us that upfront capital cost was a barrier to entry:
 - (a) CBT considered that the need for large investment was a barrier to entry into the supply of composite cans and that the cost of machinery for the manufacture of composite cans was expensive compared with other types of packaging production.¹³
 - (b) Goldenfry told us that it considered the high capital cost of entry to be a barrier to entry into the UK supply of composite cans.
 - (c) SP Containers told us that it considered barriers to entry into the spiral-wound products segment for composite containers to be fairly high due to the investment that would be needed in its plants.
 - (d) Visican told us that the cost of entry at around £4.5 million would be prohibitively high given its annual turnover of £4 million.
 - (e) Yorkshire Crisps told us that the main barrier to entry would probably relate to the required level of investment and the limited potential of this packaging format due to its cost.
- 15. We also considered that requirements for new investment to achieve targeted returns could constitute a barrier to entry or expansion; for example, Nestlé

¹² [Mondelez hearing summary](#), paragraph 5.

¹³ [REDACTED]

told us that any investment would need to generate its required level of return on investment inside [REDACTED].

16. Using information supplied by the parties on revenue per line and the evidence on costs of new manufacturing lines we estimated the implied time period required for a simple ‘cash on cash’ return of investment (see Table 1).

Table 1: Analysis of cash on cash pay back of production line costs

	<i>Low</i>	<i>High</i>
Annual revenue per line (£'000)	[REDACTED]	[REDACTED]
Cost of line (£'000)	150	1800
Contribution margin	[REDACTED]	[REDACTED]
Implied annual contribution (£'000)	[REDACTED]	[REDACTED]
Years to pay back cash investment	7	0.5

Source: CMA analysis.

Time required to bring new capacity into production

17. There was evidence that indicated that the lead time to bring new capacity into production ranged from six months to two years. Several parties told us that it took around one year to 18 months to bring new composite can capacity into production:
- (a) Ardagh told us it estimated that it would take about one year to bring a new composite can line into production.
 - (b) Can Packaging estimated that it typically took 12 to 15 months to build a plant. It would be possible to bring new capacity into use more quickly (around eight months) if a customer had an existing building available for use.
 - (c) CBT estimated that it would take [REDACTED] to obtain the required machinery.
 - (d) Goldenfry submitted that once equipment had been specified and tender prices agreed for supply, it would take 18 to 24 months for the equipment to be manufactured, delivered and installed, and then for commissioning and production start-up.
 - (e) MPS said that introducing new tube-making lines would require a lead time of around six months.
 - (f) Nestlé told us that when undertaking its make or buy assessment ([REDACTED]) the project time could range from nine to 18 months dependent on the speed of the line and number of variants to run down the line.
 - (g) SP Containers told us that current lead times for sourcing new machinery to expand composite can production were 18 to 24 months.

- (h) Sonoco told us that it would take approximately [redacted] to build and start-up a new composite can factory. Sonoco stated that the lead time for new production lines was between around [redacted] and installation would take between [redacted].
- (i) Weidenhammer told us that to set up a new composite can plant would take [redacted].
18. Other considerations including building stock holdings can increase the time taken for expanded capacity to be fully operational. For example Goldenfry indicated that moving to a supplier with which it had not previously dealt might take up to two years from an agreement to being fully operational in a suitable way with regard to supply and stock holding.
19. Having considered the level of investment required in the supply of composite cans, we turn now to other requirements to enter or expand in the supply of composite cans in the UK.

Technical ability and materials knowledge as a barrier to entry and expansion

20. We considered, next, evidence in several areas of technical ability and materials knowledge. We recognised there was likely to be some relationship between capability in this area and a supplier's reputation, which we discuss below in paragraphs 51 and 54.
21. We considered technical expertise in four areas:
- availability of skilled engineering staff and machinery set-up;
 - sealing mechanisms;
 - liners/membranes; and
 - general technical ability and product knowledge.

Availability of skilled engineering staff and machinery set-up

22. Sonoco told us that it considered its ability to adjust manufacturing equipment to deliver high volume production with minimal wastage (despite variations in the humidity and temperature of the production environment) to be important proprietary knowledge. It said that, as a result, prior to service visits from equipment manufacturers it returned all settings on machinery used in its composite can lines to standard settings, so that third parties would not have access to this valuable know-how. This suggested that ownership of the

machinery is not sufficient to operate effectively in the supply of composite cans, and that know-how was essential.

23. MPS told us that it considered the main barrier to entry or expansion in the supply of composite cans to be the limited availability of skilled technicians. It said that generally engineers were recruited and trained and this process would normally take in the region of six months. It had been required to train 70% of its engineers in-house and it could take around eight to 18 months of work experience before an engineer was fully effective.
24. The vendor told us that Weidenhammer's Bradford plant was much more technically advanced than its old plant, with machines capable of running at four times the previous speed. The vendor stated that specialised technical expertise was necessary to run the plant successfully, and that only Sonoco and Weidenhammer had this knowledge.

Sealing mechanisms

25. Nestlé told us that in Sonoco's case it had not purchased the component parts of composite cans for food from separate companies because Sonoco provided good product specifications.
26. A cost comparison by Nestlé between Sonoco and Weidenhammer noted that the EVO-Can had a single diaphragm system that enabled customers to peel off the seal more easily, and that this could avoid fragments of the seal entering the can.
27. Nestlé also considered the EVO-Can to be more hygienic because the outer rim was formed by pressing out the inner liner. We noted that the alternative way to form a rim was to mould the ply layer into the can and that this method would be less hygienic if the outer paperboard ply layer contained recycled material that contained impurities.
28. MPS stated that it did not currently compete on a like-for-like product basis with Sonoco and Weidenhammer as it did not have the capability to produce direct food contact tubes with an aluminium liner.
29. [✂]

Liners/membranes

30. We also considered technical knowledge relating to the liners and membranes used in the production of composite cans.

31. MPS stated that it did not currently compete on a like-for-like product basis with Sonoco and Weidenhammer as it did not have the capability to produce direct food contact tubes with a diaphragm. MPS told us, however (see paragraph 71), that the core of its technology was similar to that of Sonoco and Weidenhammer and that the additional capability it would require in aluminium liners and seals could easily be introduced.
32. [REDACTED] told us that it did not have the necessary equipment or knowledge to incorporate the membranes that would be required to produce composite cans for food.
33. Visican told us that it did not have the technical knowledge to compete with Sonoco or Weidenhammer. It stated that all of its cardboard containers were made on its single production line and that whilst it could include various finishes on the outside of the composite can, it did not have the technical expertise or equipment to add the barriers and membranes required for items such as nuts, snacks, powders and granules. We noted that Visican advertised the availability of food grade linings for its cardboard tubes and used images of packaging chocolate for marketing purposes.¹⁴ Visican told us that sales of composite cans for direct food contact generated less than 5% of its total revenue

General technical ability and product knowledge

34. CBT told us that the need for product knowledge was a barrier to entry into the supply of composite cans. CBT stated that the production of composite cans is difficult, requiring 'know how' and experience to achieve the high quality standards expected by customers. This was something that a new entrant would struggle to achieve.
35. Goldenfry told us that, [REDACTED].
36. Nestlé told us that [REDACTED].
37. Mondelez told us that the market was a specific one and that non-negligible knowledge/expertise was needed.

Regulation as a barrier to entry and expansion

38. We also considered that compliance with relevant regulations was an important requirement for the successful supply of composite cans in the UK.

¹⁴ Visican website accessed 6 March 2015.

39. Suppliers of composite cans for food and non-food seek to comply with regulations relating to several areas. A report¹⁵ on the UK wrapping and paper packing sector by Marketline (a Datamonitor company) stated that potential new entrants to the sector might be discouraged by the existence of barriers in the form of regulations.
40. We identified three areas of regulation relevant to the production of composite cans for food and non-food.

Hygiene regulations

41. Suppliers of composite cans where the food product is filled directly into the container (without the need to be wrapped or bagged first) generally operate in accordance with the regulations of the British Retail Consortium BRC/IoP Global Standard – Packaging and Packaging Materials.¹⁶ Compliance with the BRC regulations is dependent on the maintenance of clear records regarding the traceability of inputs into the manufacturing process and a yearly audit. We understand the cost of an audit is around £2000 a year. We were told it can take around six months to gain BRC accreditation.
42. Suppliers of composite cans may also seek accreditation from the International Organization for Standardization (ISO), a developer of voluntary international standards that has established specifications for products to ensure quality, safety and efficiency to facilitate international trade.¹⁷
43. Suppliers of composite cans for non-food may also seek BRC certification for food. [X] told us that in its case the company had a BRC certification at level 2 – a lower accreditation than level 1 – that was required for composite cans which would not come into direct contact with food. [X] said that level 2 accreditation was appropriate for the manufacture of composite cans which did not come into direct contact with food, but would be packed in premises where food was being filled into other packaging, for example a factory filling whisky into glass bottles that would then be packed into composite cans supplied by [X]. [X] said that the requirements for the higher BRC certification at level 1 would require more chemical analysis of inputs to ensure that materials that would come into direct contact with food were not tainted or contaminated. [X] told us that both level 1 and level 2 BRC certification required compliance with hygiene standards covering pest control and use of hair nets by production staff.

¹⁵ United Kingdom – Wrapping & Paper Packaging 2013.

¹⁶ For example see the [Speciality Paperboard Containers Limited certificate of registration](#).

¹⁷ See the [ISO website](#).

44. Sonoco estimated that providing change facilities, wash rooms, uniforms and quality systems for an old facility to achieve BRC accreditation would cost around [X]. Sonoco told us that on an ongoing basis for a reasonably new facility with quality control staff on site it would expect to spend [X] to [X] a year to maintain BRC accreditation (including uniform cleaning, wash items and general maintenance for a site with between 60 and 100 employees).
45. Sonoco was also of the view, however, that it would be easy for a supplier of composite cans for non-food to expand into the supply of composite cans for food because accreditation requirements were very similar. It believed that, as manufacturers of composite cans for non-food products often already supplied supermarkets, many of those manufacturers would already have similar hygiene standards to Sonoco.
46. MPS told us that it had a BRC hygiene accreditation. Its accreditation was at the same level as Sonoco, and this enabled it to supply labels to Sonoco.
47. Businesses operating in EU states are also required to follow regulations covering materials and articles that are intended to come into contact with food. We received no submissions indicating that EU regulations were likely to be a barrier to entry or expansion.

Recycling regulations

48. The second area of regulation we considered was that of UK and EU regulations relating to recycling.¹⁸
49. We noted in this context that paper has the advantage of being both biodegradable and recyclable. Packaging made of plastic, metal and glass is recyclable but either not biodegradable (in the case of glass) or biodegradable over many years (in the case of plastic and metal). We received no evidence to suggest that regulations relating to recycling were likely to be a barrier to entry or expansion.

Health and safety regulation

50. A new entrant in the supply of composite cans would also need to comply with regulations regarding employee safety. Composite can suppliers in EU

¹⁸ An amendment to the 1998 Producer Responsibility Obligations (Packaging Waste) Regulations was made in 2010. The amendment outlines the government's intention to maintain recycling levels and improve resource efficiency. Marketline indicated that in addition to this, the policy is expected to contribute to meeting and exceeding landfill diversion targets, increasing the diversion for commercial and industrial waste from landfill and increasing energy recovery from waste. EU members are required to follow the European Parliament and Council Directive on packaging and packaging waste, which sets regulations relating to labeling, weight and volume, hazardous substances, reusable or recoverable packaging, and the return and/or collection of used packaging.

member states are required to follow European health and safety legislation, which covers topics such as accident prevention, dangerous substances, noise levels and work-related stress. We received no evidence that regulations relating to health and safety were likely to be a barrier to entry or expansion.

Reputation as a barrier to entry and expansion

51. We then considered that another requirement in the supply of composite cans in the UK was that of reputation.
52. Goldenfry told us that in assessing a composite can supplier, reliability of supply, conformance to technical specifications and cost were all very important, and had been a key consideration in its choice of Weidenhammer as its new supplier.
53. MPS stated that reputation was a barrier for new entrants with all current suppliers having a proven track record to give customers confidence in their ability to supply.
54. Nestlé told us that it evaluated new suppliers and entrants based on their track record in the industry and how suppliers build a strong working relationship with their customers.

Economies of scale

55. Finally we considered whether economies of scale were an important requirement for the successful supply of composite cans in the UK.
56. We considered two aspects relating to whether economies of scale were important for the supply of composite cans in the UK. First whether there were challenges associated with the operation of a single composite can plant in the UK. Second whether it was necessary to have more than one UK facility to ensure that capacity was available to meet continuity of supply obligations to customers if required.

Single plant operation

57. Sonoco told us that Robinson's rigid paper container business was loss-making prior to acquisition by Sonoco. The operating loss attributable to the

assets, taken from audited accounts for the year ended 31 December 2010, was [REDACTED].¹⁹

58. Sonoco told us that ABPS had a single rigid paper container production line prior to Sonoco's purchase and that the business was losing [REDACTED] a year.
59. We noted that the historic financial performance of Weidenhammer's Bradford plant might not be relevant in considering the difficulty of sustaining an operation which comprised a single composite can factory in the UK. This was because the Bradford plant had been supported by Weidenhammer staff based in Germany.

Continuity of supply

60. Nestlé stated that it had imported consumer packaging products into the UK and that its needs meant that it multi-sourced for risk management and to seek a pricing advantage.
61. Premier Foods told us that it was important for its security of supply to have a contract with packaging companies that had more than one plant from which Premier Food's orders could be fulfilled. In this context Premier Foods indicated that Sonoco's two sites at Manchester and Chesterfield gave Premier Foods some contingency for the supply of composite cans and that the contract between Premier Foods and Sonoco also provided for supply from Sonoco's plant in France.
62. [REDACTED]
63. We noted that Sonoco sells to [REDACTED] customers in the UK from its plant in Lievin, France. Weidenhammer generated a small amount of sales into the UK from Weidenhammer's continental European plants.

Likelihood of entry/expansion including the potential for sponsored entry by larger customers

64. This section looks at the potential for entry/expansion in the future in the UK including the scope for sponsorship by customers.
65. The following companies told us that they did not expect any new suppliers to enter the UK production of composite cans for food:
 - (a) CBT.

¹⁹ [Robinson plc, Sale of subsidiary.](#)

- (b) Goldenfry.
- (c) Knighton/Phoenix.
- (d) Mondelez.
- (e) Premier Foods.
- (f) SP Containers.
- (g) Tata.
- (h) [✂]
- (i) Visican, which told us that it was not aware of any new entrants in the last five years or any current potential entrants.
- (j) Yorkshire Crisps, which told us new entry seemed doubtful.

66. We then considered evidence from other third parties on the likelihood of entry/expansion in the five areas of:

- (a) expansion by existing UK suppliers of composite cans for food;
- (b) entry into composite cans for food by existing UK suppliers of composite cans for non-food;
- (c) entry by other packaging suppliers;
- (d) entry by non-UK suppliers of composite cans for food; and
- (e) self-supply by food and non-food customers.

Expansion by existing UK suppliers of composite cans for food

67. [✂]

68. Visican told us that it was not interested in expanding further in to the supply of specialist, volume driven composite cans for food e.g. gravy granules, drinking chocolate etc. Visican told us it did not currently have the capacity to supply these markets. Entry by UK suppliers of composite cans for non-food

69. Sonoco told us that producers of composite cans for non-food applications could quickly and easily adapt their production processes to compete to supply composite cans for food applications.

70. One supplier of composite cans for non-food (MPS) told us that if Sonoco were to move market prices significantly then MPS would take an interest in

entering the supply of composite cans for food for high volume orders. MPS had previously supplied composite cans for food to [REDACTED]. MPS stated that the core of its technology was similar to that of Sonoco and Weidenhammer and that the additional capability it would require in aluminium liners and seals could easily be introduced.

71. MPS told us that if an expansion opportunity related to a customer and market it was interested in, then for a three-year contract it would need payback in two years and seek to make its targeted return in the third year. MPS said that another consideration would be what it thought might happen after three years and that if it considered that this was entry into a market it wanted and it thought this was a fantastic opportunity to enter on a low risk basis then it might soften the return.
72. MPS told us that entry would be dependent on it starting a study that would take into account likely levels of investment, projected profit margin and the timing of potential return on investment discussed above.
73. MPS told us that it would be installing a new spiral-wound composite can line for non-food by October 2015 with an annual capacity of [REDACTED] million tubes. MPS sold a total of [REDACTED] spiral wound tubes in 2014 and this new line would therefore approximately double MPS's total production capacity in spirally-wound tubes to [REDACTED] million.
74. [REDACTED] told us that it had considered commencing the supply of composite cans for food but had chosen to focus on the supply of composite cans for non-food products because the factory set-up for food was significantly different from non-food. [REDACTED] stated, however, that if there were to be price increases in the food sector this might affect its view of likely expansion outside non-food. Whilst it had not recently looked into the possibility of diversifying into food it would commit time to considering the viability of supplying composite cans for food if it were to start receiving a significant level of enquiries from potential customers.

Entry by other packaging suppliers

75. Ardagh, a metal can supplier, told us that the only similarity between composite can manufacturing and the production of metal cans was the use of metal lids (double seaming), so a completely new workshop would be required for a metal can maker to expand into the supply of composite cans.
76. [REDACTED]
77. We noted that Weidenhammer had historic plans to expand its packaging activities. Weidenhammer had entered into negotiations with A&R Packaging

for the acquisition of A&R Carton Lund²⁰ and Flextrus at the end of 2013;²¹ however, these negotiations were unsuccessful and ceased in February 2014.²² It is not clear whether Weidenhammer would have acquired A&R's subsidiary SP Containers in the UK if this acquisition had proceeded. SP Containers manufactures paperboard containers for the ready food and ice cream sectors, but does not manufacture spirally-wound composite cans in the UK. [REDACTED]

78. Following the news of the merger Nestlé had begun investigating alternative supplier/structures and innovative supply chains to ensure that any supply risk would be mitigated. [REDACTED].²³ [REDACTED].
79. Stora Enso told us that it had developed tailor-made carton board barrier laminates for Hörauf lines, and that it was promoting the use of Hörauf lines, whilst Hörauf was specifying Stora Enso laminates. It considered that its products would be suitable for packing dry food and powders and that its paperboard cans offered customers several advantages over spiral-wound composite cans including: lower cost; faster, more efficient production; lower warehousing requirements; better print quality; lower carbon dioxide emissions; and more flexibility in shapes that could be produced. It said that spiral-wound composite cans could, however, be made stiffer and taller than its paperboard cans. As at April 2015 the Stora Enso/Hörauf partnership was not operating in the UK and did not have any specific plans for entry. [REDACTED] For further details see Annex 1.

Entry by non-UK suppliers of composite cans for food

80. Can Packaging told us it had spare capacity in France and might try to export cans into the UK, and eventually it might construct a production facility in the UK. It was in discussions with a UK food manufacturer via an agent that was considering using Can Packaging's Greencan. [REDACTED]
81. Huhtamaki (whose US business supplies a non-spiral wound composite can for food into the UK from outside the UK), had no current plans to commence the supply of composite cans for food in the UK, although it told us that its

²⁰ A&R Packaging is described by its owner Ahlström Capital OY (a private equity investment company based in Finland) as a leading European manufacturer of paperboard packaging with turnover exceeding EUR 400 million and 1,00 employees in 14 factories. It was formed in 2011 as a merger between A&R Carton Group, one of Europe's leading packaging groups and Flextrus, a leader in northern European flexible packaging; see the Ahlström Capital [press release](#).

²¹ www.ar-carton.com/Newsroom/2013/Divestment_of_AR_Packaging_Group.

²² www.ar-carton.com/Newsroom.

²³ [REDACTED]

plans would change if a large customer was to sponsor entry (see paragraph 103).

82. MPS told us that several agents now source tubes from Asia as part of a larger portfolio of packaging formats. It said that Leo Luxe and Lucas Promotions had started facilitating the supply of composite cans from China and that it had been impressed by the quality of products supplied.²⁴
83. There did not appear to be well-developed plans for any other non-UK suppliers of composite cans to enter the UK in the near future.

Self-supply by food and non-food customers

84. We also considered whether food or non-food manufacturers might add a can production line to their plants to make cans at the end of their production/filling lines.
85. One larger customer ([REDACTED]) told us it would consider self-supply of composite cans for food.
86. We note that JTI had spent more than six months undertaking research into self-supply of non-spiral wound composite cans. JTI told us that self-supplied cans will be [REDACTED] suitable for its tobacco product and would have similar technical properties as the spiral-wound composite cans it was currently purchasing from Weidenhammer. As part of its research JTI had considered continuing to purchase composite cans from Weidenhammer, Can Packaging and MPS as an alternative to self-supply. JTI told us that if Weidenhammer were to be awarded a new contract as a result of this process, a new contract would have specified JTI's preference for volume fulfilment from Weidenhammer's plants in Germany.
87. In May 2015 JTI announced plans to install a production line to self-supply non-spiral wound composite cans in one of its tobacco filling plants. JTI told us that its decision was unrelated to the merger and was rather based on improving efficiency. JTI expected its self-supplied cans to cost less than the spiral-wound composite cans it was purchasing from Weidenhammer (in part due to lower transport costs) and noted that self-supply would also provide more flexibility to produce different shaped cans and enable the use of different design features. JTI had given Weidenhammer a directional estimate of the reduction in volumes it should expect which amounted to [REDACTED]

²⁴ [MPS hearing summary](#), paragraph 8.

composite cans (thereby reducing JTI's purchases from Weidenhammer to [REDACTED] composite cans by 2016 to 2017).

88. Several other customers for composite cans for food told us they would not consider self-supply including:
- (a) [REDACTED]. Nestlé told us that self-supply was unlikely due to capital being better spent on its core competence.
 - (b) [REDACTED], which told us that its strategy was to [REDACTED].
 - (c) [REDACTED] stated that it would not consider self-supply in the foreseeable future because its expertise was in food manufacture and not packaging.
 - (d) [REDACTED] told us that it would not consider self-supply because its core business was making [REDACTED] and it did not have the capability to produce packaging.

Sponsored entry and expansion

89. Having considered the prospects for entry and expansion by existing packaging suppliers, we set out below the evidence on the likelihood of expansion sponsored by larger food and non-food manufacturers.
90. Sonoco stated that a new entrant would not necessarily have to establish a new plant but rather extend one that already had similar facilities; and that [REDACTED] could, with the support of a large customer, expand their plants. It told us that suppliers of composite cans for food applications could invest in complying with the relevant standards.
91. Sonoco told us that much of past entry and expansion had been on the back of major contracts including:
- (a) Sonoco's 2014 opening of a consumer packaging production facility in [REDACTED] to service the [REDACTED] business of [REDACTED];
 - (b) [REDACTED], a bespoke production facility for [REDACTED]; and
 - (c) [REDACTED], which focuses on [REDACTED].
92. Mr Weidenhammer told us that he could justify opening a new plant if he had one secure contract of five to seven years' duration with an annual turnover of £5 million.
93. [REDACTED]

Views of food manufacturers

94. [REDACTED], Nestlé and Premier Foods told us that they would consider sponsoring entry or expansion. [REDACTED], Mondelez, Tata and [REDACTED] told us that they had no plans to sponsor entry or expansion in the UK. See below for individual views.
- (a) Knighton/Phoenix said it had not been presented with an opportunity to sponsor entry [REDACTED].
 - (b) Nestlé said it would consider sponsoring a new entrant where the business case made sense and with the right partner.
 - (c) Premier Foods told us it did not formally sponsor new entrants but had done and would continue to support any new suppliers (both like-for-like switches and substrate changes) by either giving sole/joint supply status or committing to a certain contract duration in which the supplier could recover any investment costs. It said its preference was to not commit to long-term volumes as its major customers would not do so with Premier Foods, and would often carry out periodic range reviews and more recently stock keeping unit (SKU) rationalisation programmes.
 - (d) [REDACTED] told us it had not considered sponsoring entry.
 - (e) Mondelez told us that it had not considered sponsoring entry because it had a policy not to interfere or be involved in procurement.
 - (f) [REDACTED] stated that it would not sponsor entry because its volumes were not significant enough.
 - (g) [REDACTED]
95. We noted that [REDACTED].

Views of suppliers

96. Visican told us that it would not be interested in sponsored expansion.
97. Four packaging companies (Can Packaging, [REDACTED], Huhtamaki and MPS) told us they would consider entry or expansion if sponsored by customers.

Can Packaging

98. Can Packaging told us that its business had been growing at over 20% in recent years and it believed its revenues would double in the next two or three years, particularly due to the new mobile plant business model it had developed. Until the end of 2014, Can Packaging was just keeping up with

demand and had very little spare capacity to expand. However, having invested significantly in its existing plants (doubling their sizes) it had spare capacity to enter into new areas, the UK included. The new mobile plant in Germany reinforced its desire to build plants in new areas.

99. Can Packaging told us that to build one of its mobile plants, it would need a client with a contract for at least five or six years, and volumes of 25 million to 30 million cans a year. It generally built two production lines with one line dedicated to the client's needs and the other line free to service other potential customers. Each line would be able to make between 45 and 50 million cans a year. It would be willing to build a new plant for a lower initial volume if there was a prospect of volume growth. For example, the plant built in France in 2010 was originally producing 10 million boxes a year; it now produces 50 million a year.
100. Can Packaging told us that it had explored exporting composite cans directly to the UK. Can Packaging stated that it was currently negotiating a contract with a client in the UK through an agency. It was a very big contract, with a large food client, but Can Packaging was not able to say who it was as it had signed a confidentiality agreement with the agency. Can Packaging could confirm, however, that the client in question did not currently use composite can packaging for its products.
101. CBT stated that it would consider expanding capacity in the UK for a customer contract of at least [REDACTED] per annum and would require investment from the customer of [REDACTED]. If CBT were to be approached by a company such as [REDACTED] to supply composite cans, it would consider doing so if it would be a sponsored entry.
102. [REDACTED]

Huhtamaki

103. Huhtamaki told us it would consider entering the supply of composite cans in the UK for a customer contract of a commercially viable [REDACTED] per annum.

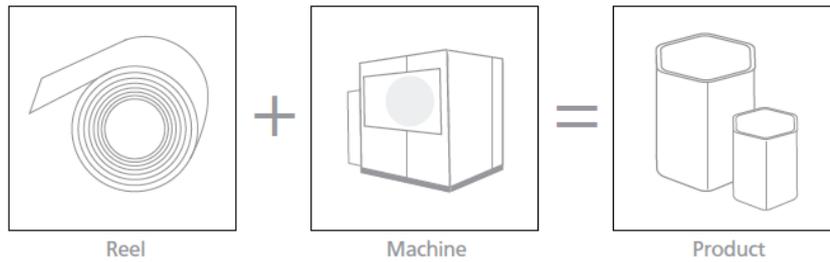
MPS

104. MPS stated that it would consider expanding capacity if a large customer were to sponsor expansion by committing to purchase substantial volumes of composite cans. MPS indicated that it would require a contract of 'several million pounds' over several years to justify the investment.

105. As discussed above (see paragraph 71) MPS indicated that the core of its technology was similar to that of Sonoco and Weidenhammer and that the additional capability it would require in aluminium liners and seals could easily be introduced.

Promotional material produced by Stora Enso and Hörauf

Stora Enso and HÖRAUF – a partnership that offers you entirely new opportunities.
In-house production of your round or shaped paperboard can, with any kind of closure!



Stora Enso and HÖRAUF – a partnership that offers you entirely new opportunities.

Stora Enso supplies the paperboard and HÖRAUF the equipment. You can produce straight-walled paperboard cans in-house instead of using pre-fabricated packages, which are costly to transport and to store. With this system, you produce your packages straight from the reel, which offers you advantages in terms of:

Environment, differentiation, product flexibility and costs!

Shape your brand:

- It is easy to produce cans in different shapes: round, oval, rectangular, and many more.
- Differentiate yourself with your shaped paperboard can at the point of sale.
- By changing the tooling you can produce different shapes using the same equipment. If you change only the height of the can, only a partial adjustment of the tool-set is required.

Environmental benefits:

- Less CO₂ – reducing the transportation automatically reduces your CO₂ output.
- Less warehousing space to heat or cool improves your CO₂ balance.

Your advantages if you produce in-house and in-line:

- Extreme reduction of transportation costs: the warehouse space you needed to store 1,000 pre-fabricated cans before is now available for two reels of paperboard which is sufficient for as many as 30,000 cans
- Reduction of your warehousing costs
- No handling of pallets with pre-fabricated packages and risk of damage losses
- No depalletising of pre-fabricated cans

Versatile materials:

- Stora Enso offers a versatile selection of high-barrier paperboards that have the required properties and run perfectly in the HÖRAUF equipment.

Great variety of closures:

- Many different sealing and lidding solutions are possible. Special advantage:
- You can seal directly to the paperboard. With a flat-pressed top rim you can seal your lid, e.g. a thin peel-off film, directly on the top of the package. This is a very cost-efficient way to close your can.
- It is also possible to use other sealing mechanisms, e.g. a plastic or an aluminium ring.



Possible can shapes

Glossary

Act	Enterprise Act 2002.
Alternative packaging formats	Includes paper and board packaging, flexible packaging, plastic containers, metal packaging and glass packaging.
Aluminium liner	A liner inserted into a composite can to prevent gas or moisture entering or escaping from a can.
Barrier properties	The combination of materials used to construct a composite can and to keep its contents fresh. For example aluminium liners.
Bradford	Weidenhammer UK's plant is located in Bradford.
BRC	The British Retail Consortium.
CAGR	Compound annual growth rate.
Chesterfield	One of Sonoco UK's two plants is located in Chesterfield.
Closures	Composite cans can be fitted with different ends and overcaps. Metal is the most common type, but paper and plastic are also used.
CMA	Competition and Markets Authority.
CMA2	Mergers: the CMA's jurisdiction and procedure (published guidance).
Composite can	A rigid tubular container with closures on each end in which the tube is made of paper and any other materials required to give the product the physical properties (such as rigidity and moisture barrier) required for the product going inside the container.
Co-packers	Package goods on behalf of the product manufacturers, and typically specialise in particular packaging formats.
Diameter	Composite can sizes are measured in diameters.
Drums	A larger form of composite can used primarily in the automotive and catering industries.

EBITDA	A company's earnings before interest, taxes, depreciation, and amortisation.
Flexible packaging	Can be made from cellulose films, aluminium foils, and paper. For example, packaging used for crisp packets or coffee beans.
Food packaging	Packaging used for food for human consumption as opposed to animal food; edible products as opposed to tobacco; and food in direct contact with the composite can as opposed to food in another container such as a plastic wrap that is then placed inside a can.
Glass packaging	Comes in a number of different forms and can be used to package preserves, sauces and alcoholic beverages.
Guidelines	Merger Assessment Guidelines: CC2/OFT1254.
Inquiry group	A group of CMA panel members constituted to decide the questions set out in section 35 of the Act in respect of the Transaction .
Larger customers	Includes Weidenhammer and Sonoco 's largest customers based on 2014 sales.
Manchester	One of Sonoco UK 's two plants is located in Manchester.
Mandrels	A tool used to shape a composite can .
Membrane	The openable seal on the top of a composite can , generally opened by pulling a tab and made of foil or paper.
Metal packaging	Comes in a number of different forms, including cans and tins, and is used, among other things, in the food and automotive sectors.
Non-food packaging	Packaging not suitable for direct food contact. Non-food composite cans can be used for spirit bottles and premium drinks.
Own label	A product marketed under the brand name of a particular retailer rather than that of the manufacturer.
Paper and board packaging	Paper-based packaging that is generally thicker than paper, easier to cut and form due to its low weight, and is used for the packaging of a broad variety of consumer products.

	Includes, among others, composite cans , composite drums and folding cartons.
Parties	Sonoco and Weidenhammer .
Phase 1	The investigation of the Transaction by the CMA to determine whether the statutory test for reference was met (section 22 of the Act).
Phase 2	The investigation of the Transaction by the CMA following reference launched on 27 January 2015 to decide the questions set out in section 35 of the Act .
Plastic containers	Includes canisters, pails, buckets and drums, made out of plastic (rigid plastic) that are used in the distribution and retail sectors – for example in the food, chemical and pharmaceutical industries.
Seasonal product	Products characterised by high seasonal demand. For instance, products such as gravy granules tend to be consumed outside the summer months, with peaks experienced over the Christmas and Easter holidays.
SLC	Substantial lessening of competition.
Sonoco	Sonoco Products Company: a US corporation and manufacturer of industrial and consumer packaging products and provider of packaging services, with operations in 33 countries. Its UK subsidiary operates two plants (in Chesterfield and Manchester) producing composite cans .
Sonoco UK	Sonoco's UK subsidiary for consumer packaging is Sonoco Limited with UK plants in Chesterfield and Manchester.
Sponsored entry	A customer supporting the entry or expansion of a packaging producer, usually on the strength of a long-term contract or guaranteed production volumes.
Third parties	Third parties are the customers and competitors of Sonoco and Weidenhammer .
Transaction	The completed acquisition by Sonoco of Weidenhammer.
Weidenhammer	Weidenhammer Packaging Group GmbH: a German company that manufactures and supplies consumer packaging products in 12 countries. Its UK subsidiary

operates a plant in Bradford that produces **composite cans, drums** and rigid **plastic containers**.

Weidenhammer UK Weidenhammer's UK subsidiary is Weidenhammer UK Limited with one UK plant in Bradford.