

SONOCO/WEIDENHAMMER MERGER INQUIRY

Summary of hearing with Can Packaging held on 24 March 2015

1. Can Packaging (Can) told us that it mostly sold composite can packaging and equipment for food and tobacco. It did not directly export to the UK, but it did sell to customers who then sold its products to UK retailers, such as Waitrose, Asda and Sainsbury's.
2. Can told us that it had over 40 years of experience in the packaging market. The company was created in the 1990s and focused on selling its environmentally friendly 'green' can. Its business concept was to have a 'mobile' packaging model that allowed it to build new plants, fairly quickly and at reasonable cost, near to its clients' locations. Can was looking to roll this model out across Europe and, in this respect, had ongoing discussions in various countries (for example, the Netherlands and Italy). Can was also about to build a new plant in Germany which was based on its mobile concept. Can's business model also involved supplying composite cans directly to customers.
3. Can had two plants in France. Its Habsheim plant was its original plant and was the base for all its developmental work. Can's Ancenis plant, in central France, was an example of its portable plant model, as it was a small plant that was built next to a customer.
4. Can's business had been growing at over 20% per year in recent years and it believed its revenues would double in the next two or three years, particularly due to this new mobile plant business model. 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 (doubling their sizes) it had spare capacity to enter into new markets, the UK included. The new mobile plant in Germany reinforced Can's desire to build plants in new markets.
5. Can's composite can came with an inlaid cardboard lid (unlike those supplied by Sonoco and Weidenhammer which came with a metal or plastic lid) which contributed to its recyclability. Once the cans were produced and packed, the end customer would then just need to place the bottom or membrane, and the machinery to do this was widely available and reasonably priced.

6. Can had explored exporting composite cans directly to the UK. For instance, it had had contact with potential customers in England and Scotland, but discussions had not led to anything concrete yet. Can was, however, 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 was not able to say who it was as it had signed a confidentiality agreement with the agency. Can could confirm, however, that the client in question did not currently use composite can packaging for its products.
7. To build one of the mobile plants, Can would need a client with a contract for at least five or six years, and volumes of 25–30 million cans per year. Once Can had a client, 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 could make between 45 and 50 million cans a year. Can 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 produced 50 million a year.
8. Set-up costs of a new plant would include the purchase of a building [X], and the production lines [X]. The final costs may actually be lower than indicated as some of the equipment could be shared between the two lines. Typically it took at least one year to build a new plant, but could be as short as seven or eight months [X] if a client had its own building.
9. Can was initially surprised by the merger as Sonoco and Weidenhammer had been very close competitors for a number of years. Can could also see the logic for the merger, as both were normally very good with their clients and had a reputation for providing good service. The majority of the customers would remain faithful to this entity.