International Oligopoly in the Metal Container Industry

The Metal Container industry has shown a widespread tendancy towards concentration in national markets on both sides of the Atlantic. In the U.S.A. the two top firms, American Can Co., and Continental Can Co., hold 70% of the market. In the U.K. Metal Box holds 80%. In Germany SLW and Zuchner control 98%. In Holland the dominant firm is TDV, which also operates in Belgium, while in France J.J. Carnaud & Forges de Basse Indre stands out, and in Italy Superbox. It is therefore not surprising that both American Can and Continental Can have been the subject of major anti-trust cases in the U.S., that in Britain the Monopolies Commission have been investigating the industry for the last three years, and that, most recently, the metal container industry is reported to have been selected as the subject for a test case by the anti-trust ~~section of~~ the European Commission. For this reason alone the international metal container industry constitutes an interesting case study. But it also repays study in respect to monpolistic strategy both within a national market, and internationally. What happens in an international industry previously composed of national monoplies when trade and exchange restrictions are liberalised? We shall deal with these questions first by looking at the American market, and then at the situation obtaining in Western Europe.

The U.S. market

In 1901 American Can was founded as a trust controlling virtually the whole of the industry. Within twelve years its share of the market had fallen to 50% and it was this rapid decline which enabled it to escape untouched when first charged with monopoly under the Sherman Act, in 1916. American Can was still, nevertheless, by far the most dominant firm in the industry until the middle thirties. It was the only metal container manufacturer with a significant research programme, and the only one to be able to benefit from economies of scale. These economies were not so much in the production field (the high cost of transporting tin cans has always militated against long runs from centralised factories). Rather they were realised in monopolistic purchashing power, customer services, and the ability to offer certainty of supply through a system of interlocking plants.

In 1916 Continental Can was merely one of a number of small rivals to American Can. But through a programme of acquisitions, mergers and substantial internal growth, Continental was, by 1939, half as large as American, and by 1950 three quarters the size. In 1964 American was providing 38% and Continental 33% of the $1,380 m. metal can market in the U.S..

In spite of this callenge by Continental, American Can was singled out for prosecution under the Clayton Anti-trust Act in 1950. The Clayton Act was enacted in 1914 and amended in 1936 by the Robinson-Patman Act. The original act and the amendment were aimed both at preventing practices which could lead to monopoly and attacking existing monopoly through its manifestations. Thus the Clayton Act outlawed the tying of sales (where the purchase of one good is conditioned upon the purchase of another good) exclusive dealing (where the purchaser cannot handle competing lines) and requirement contracts (where the purchaser fulfills all or most of his needs from a single supplier). The Robinson-Patman Act was directed against price discrimination, being passed in response to the complaints of independent wholesalers that chain stores were obtaining from their suppliers unwarranted advantages in the form of lower prices, greater advertising allowances, and discounts.

The Anti-Trust Division of the U.S. administration laid three main charges against American Can:

i) that they offered discounts for large volume purchases of containers of all kinds, that these discounts were greater than those that smaller firms could offer for the same volumes, and that the discounts were not justified by costs.

ii) that sales to major canners were made under long-term requirement contracts which were written for specific containers for use at specific plants: such contracts automatically limited the markets available for smaller can companies, though the latter they were sometimes able to become secondary suppliers of large buyers.

iii) that they tied the leasing of can closing machinery to the sale of cans: such a practise was possible because of the lead held by American (and Continental) in the design and operation of the machinery necessary to close the can after filling by the canner: American leased its machinery to the canner and provided servicing at below average cost but so arranged the expiration dates of contracts that no canner would be able to retain American's machinery to close competitors' cans.

In each of these ways American Can was able to obtain competitive advantage vis à vis its smaller competitors: the latter were unable to compete on discounts, they found it difficult to break into the system of long term requirement contracts, and, being forced to buy inferior can-closing machinery on the open market and lease them at below cost, they could not match American in the tying of the machinery to the sale of cans. These were three of the principal instruments in American's market power, and the court decreed that all three should be ended as being in violation of both the Clayton and the Sherman Acts. There were to be no more volume discounts. Requirement contracts were to be limited to a year, with separate contracts to be made for each plant. Finally, leases of machinery were no longer to be tied, but offered to everyone at a cost-plus price. American were further required to offer their can closing machinery for sale at specified bargain prices together with the technology and training necessary for their operation. The judgement thus removed at least some of the sources of American's power, as well as similarly weakening Continental who had accepted the same judgement in a consent degree.

In the ensuing years there was an extensive breakdown in exclusive supplier-customer relations. Contracts were split among different suppliers for cans which were closed on machines made by a number of manufacturers. Open order purchases increased very considerably, and there was an unexpected buying of closing machines by the canners. By 1954 American and Continental had between them sold 75% of all the closing machines they had been leasing in 1950.

Given the weakening of their respective positions in the metal can market in the U.S. there were two other fields for expansion by American and Continental: a) diversification into other branches of the container industry in the U.S.; b) expansion abroad. We find both avenues pursued simultaneously. In 1956 American acquired Kleinle and Co., manufacturers of lithographing inks, Bradley Container Corp., manufacturers of plastic tubes and 'squeeze' bottles, Pittsburgh Plastic Corp., makers of caps and nozzles, and Sun Tube which made tubes in the U.S. and Canada.

Late in the same year they entered into various agreements with can companies in Denmark, Germany, France, England, Mexico, Venezuala, New Zealand, Australia and Japan and formed an International Division to provide technical assistance and promote foreign markets for containers.

Continental also invested in diversification. They bought B.C. Betner and Co. in 1953, manufacturers of paper bags, and acquired a flexible packaging business, as well as a manufacturer of polythene pipe and bottles in the same year. In 1954 they bought a manufacturer of paper cups and bags, and another which made collapsible tubing. In 1955 they purchased the patents and production facilities of Vaporised Metal Coatings, and in 1956 acquired the White Cap Co. of Chicago and the Hazell Atlas Glass Co. both in exchange for shares. This policy of domestic diversification, which like American they continued through the sixties, nevertheless also came into conflict with the Clayton Act, this time as amended by the Cellar-Kefauver Antimerger Act 1950.

In 1964 the Supreme Court held illegal the merger between Continental and the Hazell Atlas Glass Co. on the grounds that it restricted the market. Hazell Atlas was the third largest producer of glass containers in the U.S. though it played no part in the metal container market. Continental Can which we have seen held a third of the metal container market, for its part played no role in the glass container market. This complementarity was indeed the point of the merger. But the Court held that metal containers and glass containers were effectively one combined product market even though they were separate industries. The District Court, which did not find against the merger, had held that the two sectors were different lines of commerce since the containers had different characteristics that could disqualify them from particular uses: the machinery necessary to pack them was different; and the users did not shift back and forth between the two products as the relative prices changed. Yet the Supreme Court while acknowledging the weak cross-elasticity in the short-run argued that this was no longer so over time:

> "Thus, though the interchangeability of use may not be so complete and the cross-elasticity of demand not so immediate as in the case of most intra-industry mergers, there is over the long-run the kind of customer response to innovation and other competitive stimuli that brings competition between these two industries within section 7's competition-preserving prescriptions."

Continental Can was therefore not moving into a separate market by its merger with Hazel-Atlas but fortifying its position in the combined metal and glass container market:

> "By acquisition of Hazel-Atlas stock Continental not only increased its own share more than 14% from 21.9% to 25% (of the combined market) but reduced from five to four the most significant competitors who might threaten its dominant position. The resulting percentage of the combined firms approaches that held presumptively bad in United States v. Philadelphia National Bank".

In spite of a dissenting opinion by Justice Harlan who felt that the Court had provided 'its own definition of a market, unrelated to any market reality whatsoever' and based its judgement on 'market percentages of a non-existant market', the decision stood and Continental sold off Hazell-Atlas in the same year.

The European market

We have already noted that the national markets of Western Europe are concentrated similarly to the U.S., though with a tendency to single rather than two-firm dominantion. Up until 1958, tarriff and currency restrictions further added to the transport costs to keep national markets insulated. With the establishment of convertability, and the institution of the Common Market, this insulation became increasingly less effective. Tarriffs were finally entirely removed within the EEC in 1968, and though some exchange restrictions and other non-tarriff barriers still remain in operation these are being progressively liberalised.

It appears that it was in order to counter the disruptive effects of European integration on established market structures that a greater degree of co-ordination was established between certain national firms within the Six. Apart from technical links it has been alleged that a pricing and customer agreement has been evolved to prevent (a) poaching, and (b) the playing off of one major metal can manufacturer against another. Thus if an order is received from an unknown customer in country B by company A in country A, company A will check up via a central information service in London on whether the unknown customer is a customer 'tied' to country B's leading manufacturer. If not, company A will be free to tender, but may be in a position to sell only a certain amount. For if the unknown customer was previously a customer of a small firm C in country B, this firm may itself have a market sharing agreement with the leading company B in country B which ensures it x% of the domestic market. All customers taken away from company C by Company A will therefore be effectively reducing the national market for company B. An agreement of this type would thus constitute a freezing of national market areas in spite of the potential integration of national markets into a system of markets whose extent is determined above all by transport costs.

Yet there is a dynamic to the structure of the metal container industry in Europe which may be seen to promise the softening of national frontiers in the industry. Figure 1 presents the structure of the industry as it existed at the beginning of 1970. Two of the leading firms in the EEC were controlled by foreign companies: Superbox in Italy was controlled by Metal Box, (93.1% holding) and SLW in Germany was controlled by Continental Can who had taken over in February 1969. In addition to this, Continental Can had extensive licensing arrangements with all the

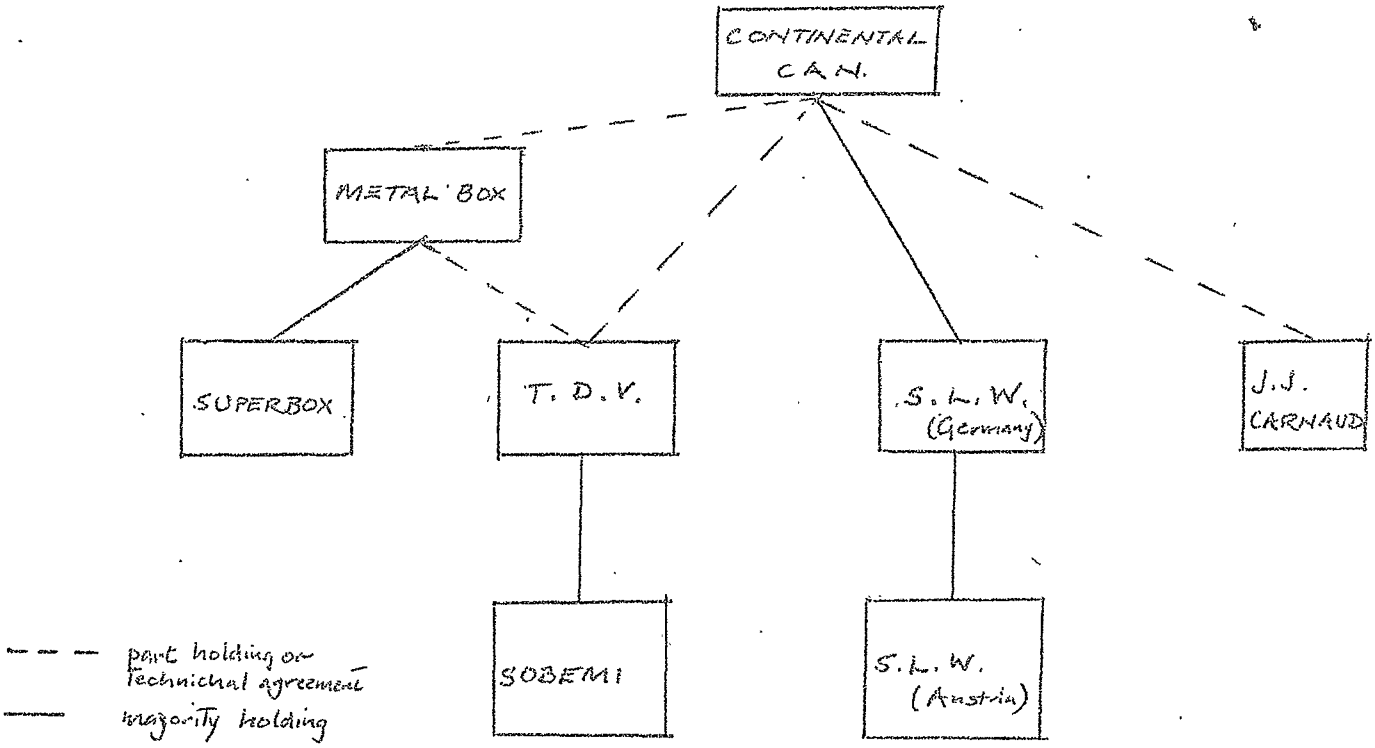

Figure 1

independent companies shown in Figure 1 (indeed Continental has as many as 36 European licenseees in all: and owns a participation usually not exceeding 11% in all of them) Metal Box, too, has an 8.69% shareholding in TDV, a 0.59% share in Carnaud, and lists as "Correspondent Companies" Sobemi, SLW and Continental Can.

In March 1970 Continental Can made a successful takeover bid for TDV (in which it already had a 10.3% holding). It also proposed that Metal Box should transfer control of Superbox, its factory at Poole which manufactured White Cap products, and its 8.69% share of TDV to a new Delaware-domiciled holding company Europemballage (EUCO) in return for a 20% equity holding in the new holding company. Continental Can would also transfer its European holding to EUCO, and hold a 60% interest in EUCO's share capital. (see figure 2.)

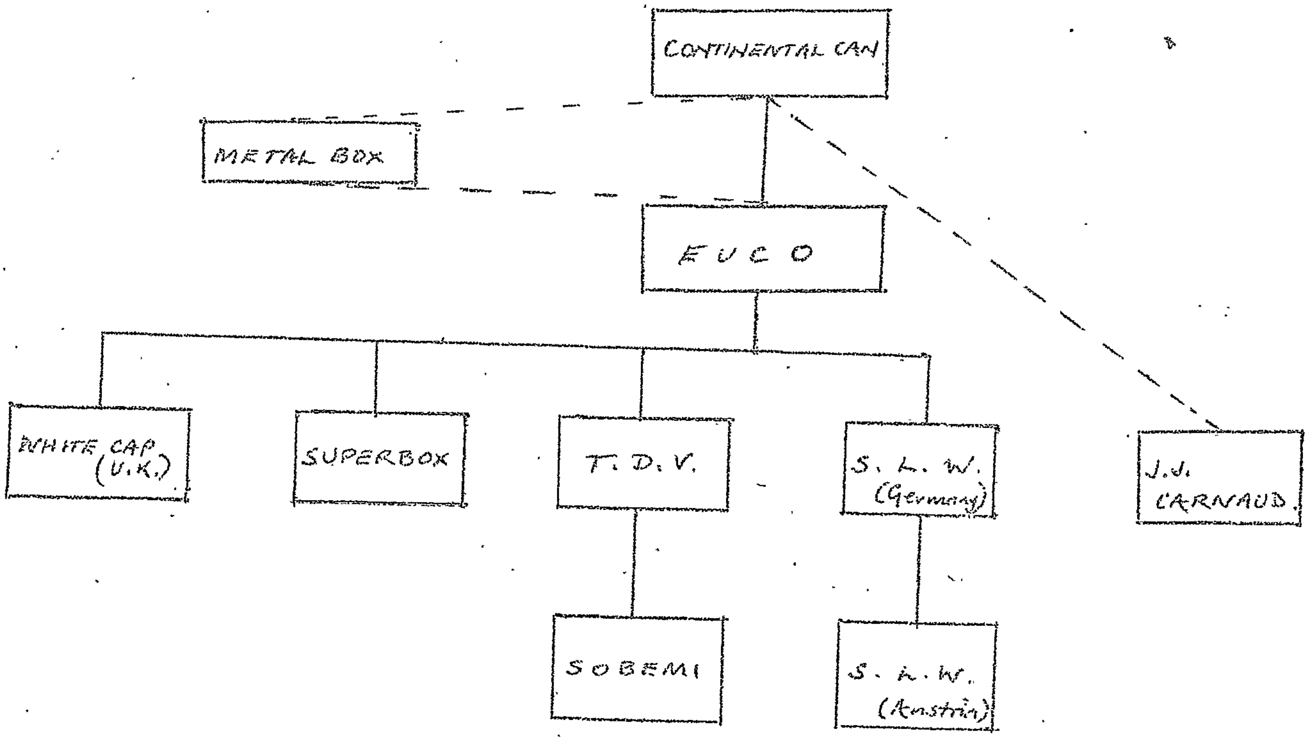

Figure 2

On April 24th 1970, in the course of the Continental Can-Metal Box negotiations, a Geneva-based Weekly News-sheet called 'Business Europe' published an account purporting to summarise the views of the Anti-trust department of the European Commission on the re-structuring of the European metal container industry. According to the report, the Commission was intending to move against Continental Can and Metal Box on the grounds that their actions were in violation of the anti-trust articles 85 and 86 of the Rome Treaty (reproduced in Appendix I). The Commission had five main objections to the re-structuring:

a) in Germany itself, Continental Can through its holding in SLW, already had a dominant position. It not only controlled 60% of the German market, as against the German-owned company Zuchner's 38%, but in more than half of that market it had an absolute monopoly because the restricted location of Zuchner's plants and high transport costs ruling out sales to customers located over 250 kilometres from plants effectively limited its spatial competitive range.

b) added to this dominance, the Commission claimed that Continental used other methods which put Zuchner at a competitive disadvantage:

- by buying tinplate in bulk in conjunction with its other licensees in Europe, Continental was able to obtain far lower prices for this input which constitutes 50% of the cost of cans than were Zuchner.

- Continental had a competitive advantage in that its specialised equipment for can making, notably can closing machines, were available only to its licensees.

- the sales and leasing of can-closing machines manufactured under Continental Can's patents have tied customers to the purchase of metal cans made by either Continental Can or its licensees.

- one of Europe's largest manufacturers of packaging equipment the International Machinery Corporation (IMC) a Belgian subsidiary of the US company FMC, has an agreement with Continental Can and its licensees to manufacture packaging equipment to their specifications, using their name plates. IMC sells principally - though not exclusively - to Continental and its licensees (Metal Box itself has a 3.33% holding in IMC).

These arrangements in the Commission's view limit the possibility of getting first rate packaging machines by Continental's competitors, and second prevent these competitors selling to firms which have Continental patented equipment installed.

c) the acquisition of TDV by Continental and the terms under which it is to be operated constitute an 'abusive exploitation' of Continental's position. TDV is to be limited to operating and selling in Benelux, and this, quite apart from similar practises discussed in the previous paragraph, is seen to restrict the degree of 'actual or potential' competition in the EEC,

d) the joint participation by Continental Can and Metal Box in EUCO would, in the Commission's view, prevent the two parties from setting up manufacturing facilities in those markets covered by EUCO subsidiaries (i.e. all the EEC save France) and as such would violate article 85 of the Rome Treaty.

e) the proposed arrangement with Metal Box itself constituted an 'abusive exploitation of a dominant position' by Continental Can. Were Metal Box to refuse the arrangement, or alternatively to expand in markets covered by EUCO subsidiaries, they would be liable (a) to the termination of licensing agreements; (b) expansion in the U.K. market by Continental Can.

Continental were reported to have denied many of these charges: they held that their share of the German market was much less than 60%, that there were 20 other competitors in Germany, and that there are more than 12 manufacturers of specialised packaging equipment besides IMC. Indeed, in spite of being officially informed of the Commission's views, they continued with the takeover of TDV. The Commission on its part appeared confident that they could make the charges stick, particularly after the sub- of certain files in the last week of April.

Metal Box

The developments in Europe posed a considerable problem for Metal Box. In the 1950's the company had been influenced by the desire to protect the company's position in packaging by acquiring and building up interests in alternative materials to the traditional metal. The

The acquisition of additional paper interests, the move into flexible packaging and the development of the plastics group reflected this policy. Simultaneously the overseas interests were being expanded to lessen dependence on the U.K. and to take advantage of growth potential in markets less sophisticated in packaging technology than the U.K.

In terms of the policy of diversification at home, paper and flexible packaging have both run at or very close to losses and are still making inadequate profits, while plastics, too, were producing a very low return. Consequently, the Metal Box policy has shifted back towards the metal using groups, since the demand for metal containers has, if anything, been showing an upward trend, industry sales increasing by some 6% in 1969-70. In 1968 the metal groups constituted over 80% of Metal Box total sales of £116m with nearly 60% coming from the Open Top group manufacturing cylindrical metal cans and aerosols.

Two problems arise in respect to this shift back in emphasis to the lines on which Metal Box was founded. First the Monopolies Commission are due to present a report in 1970 on the U.K. metal container industry, following an investigation in which Metal Box has been a major subject.

Second, Continental Can's US rival, American Can, has returned to the UK market. In 1967 it acquired a 60% interest in Reads of American Can switched the emphasis of Read's from General Line to Open Top, (particularly to the fast growing parts of open top such as pet foods and beverage cans), added two production lines in the Liverpool plant, and opened a new £1.5m factory at Grantham with a planned output of 600 m cans per annum.

Metal Box seem confident that Read's can be kept to a 10% market share, but the very size of American Can, and their relatively advanced equipment does threaten to some extent some of the traditional advantages which Metal Box has enjoyed in the U.K. These were summarised by David Ducat former chairman of Metal Box, in answer to a question about Metal Box's capabilities of standing up to the Read challenge:

> "Metal Box has in its open-top business 11 factories, strategically placed throughout the country. We also have a big research and development department which supports our open-can business- our budget on that is over £1 million a year. We have a know-how agreement with Continental Can, which is the other big American company. We also of course have special experience in the canning industry in this country developed over 35 years. We support our customers by renting closing machines for our cans and servicing them. We build machinery, and we can provide much cheaper can-making equipment than the opposition which has to buy it from the States. Finally, many cans these days are printed and we have very large printing plants." (Times 2.3.67.)

On top of these, Metal Box is able to offer volume discounts to the large canneries, and has a bargaining power in the purchase of tinplate since it buys the bulk of BSC's tinplate output. These advantages of scale, which we have seen to be present not only in the British market, are capable of being at least partially eroded by a company as large as American Can. Certainly, Metal Box would be seriously affected if it pursued a strategy which risked a break with Continental Can, since it would stand to face not only a second major competitor, but also to lose its access to certain types of technical information which Continental Can have continuously supplied.

In terms of the second part of Metal Box's strategy of the 1950's the build-up of overseas interests has been successful and continues. A full list of its overseas subsidiaries and associates is given in Appendix II. In 1968-9 the overseas contribution to consolidated sales and pre-tax profits was 33.0% and 34.6% respectively. The trend of overseas turnover growth for the last ten years has been 11.4% annually and pre-loan interest profits growth has been 9.8%. Figures for the development of overseas sales, profits and margins in comparison to those for domestic activity are shown in Appendix III. The UK sales figures moreover include exports, so that the importance of foreign markets must be adjusted upwards to take account of this. Exports amounted to £8. 0 m. in 1967/8 and £9.8m. in 1968/9.

What is noticeable about the breakdowns of sales to overseas consumers (given in Appendix IV) is that Europe constitutes only 10.3% of the sales of overseas companies. This is in spite of the fact that the European market is not only large but growing at a rate which is twice that of the US market. Some idea of the potential may be guaged from the figures for per capita consumption of canned foods in some of the major markets, given in Appendix V. Only in the limited field of exports (particularly in metal closures and decorated hardware) does Metal Box seem to have been in a position to profit from this growth. Superbox itself had a series of poor years, partly through bad harvests, partly because of the concentration of demand into 5 months of the year, and partly because of some strong competition.

In the face of the comparatively weak hold that Metal Box had in the EEC, Continental Can's change in strategy from minority interests in licensees to majority holdings posed a considerable problem. Not only had Continentals first two moves (acquiring SLW and TDV) weakened the relative position of Metal Box in Europe, but the fact that this appeared to be a pre-emptive strategy in the face of an expansion into Europe by American Can further complicated the position. Not only had American Can moved into the U.K. through Reads in 1967, but in April 1968 they acquired a majority interest in Schiecarton

N.V. in the Netherlands. Clearly in an industry so marked by economies of size, the European market was of central importance in terms of international viability. The issue was whether Metal Box was in a position to maintain an independent presence in the EEC, or whether the minority holding in EUCO offered a better prospect. The question hinged on the cost that a termination of the Continental Can technical contracts would entail, as well as the cost of a competitive war in previously insulated markets. Some further link up was possibly open with Carnaud, who themselves were reportedly under pressure from Continental to sell the metal container part of their vertically integrated business. There was, too, the factor of the Common Market anti-trust rules, and the evident interest of the Commission in the restructuring of the industry.

In this position what course of action should Metal Box follow with respect to its Western European operations?.

APPENDIX I.

TREATY OF ROME

Rules Governing Competition

ARTICLE 85

1. The following shall be deemed to be incompatible with the Common Market and shall hereby be prohibited: any agreement between enterprises, any decisions by associations of enterprises and any concerted practices which are likely to affect trade between the Member States and which have as their object or result the prevention, restriction or distortion of competition within the Common Market, in particular those consisting in:

(*a*) the direct or indirect fixing of purchase or selling prices or of any other trading conditions;

(*b*) the limitation or control of production, markets, technical development or investment;

(*c*) market-sharing or the sharing of sources of supply;

(*d*) the application to parties to transactions of unequal terms in respect of equivalent supplies, thereby placing them at a competitive disadvantage; or

(*e*) the subjecting of the conclusion of a contract to the acceptance by a party of additional supplies which, either by their nature or according to commercial usage, have no connection with the subject of such contract.

2. Any agreements or decisions prohibited pursuant to this Article shall be null and void.

3. Nevertheless. the provisions of paragraph 1 may be declared inapplicable in the case of:

—any agreements or classes of agreements between enterprises,

—any decisions or classes of decisions by associations of enterprises. and

—any concerted practices or classes of concerted practices which contribute to the improvement of the production or distribution of goods or to the promotion of technical or economic progress while reserving to users an equitable share in the profit resulting therefrom, and which:

(*a*) neither impose on the enterprises concerned any restrictions not indispensable to the attainment of the above objectives;

(*b*) nor enable such enterprises to eliminate competition in respect of a substantial proportion of the goods concerned.

ARTICLE 86

To the extent to which trade between any Member States may be affected thereby. action by one or more enterprises to take improper advantage of a dominant position within the Common Market or within a substantial part of it shall be deemed to be incompatible with the Common Market and shall hereby be prohibited.

Such improper practices may, in particular, consist in:

(*a*) the direct or indirect imposition of any inequitable purchase or selling prices or of any other inequitable trading conditions;

(*b*) the limitation of production. markets or technical development to the prejudice of consumers;

(*c*) the application to parties to transactions of unequal terms in respect of equivalent supplies, thereby placing them at a competitive disadvantage; or

(*d*) the subjecting of the conclusion of a contract to the acceptance, by a party. of additional supplies which, either by their nature or according to commercial usage, have no connection with the subject of such contract.

APPENDIX II

The Metal Box Company Overseas Limited

Subsidiary Companies

			Country of incorporation
Africa	The Metal Box Company of South Africa Limited Head office: Johannesburg Factories: Cape Town, Durban, East London, Isando, Paarl, Port Elizabeth, Vanderbijlpark, Walvis Bay	66·31%	South Africa
	Main Tin Manufacturers Limited Head office: Johannesburg Factories: Durban, Johannesburg	33·82%	South Africa
	Embalagens de Moçambique (Metal Box) S.A.R.L. Head office and factory: Lourenço Marques	34·15%	Mozambique
	The Metal Box Company of East Africa Limited Head office: Nairobi. Factory: Thika	100·00%	Kenya
	Plastics (Africa) Limited Head office and factory: Nairobi	100·00%	Kenya
	Security Printers Limited Head office: Nairobi. Factory: Thika	100·00%	Kenya
	The Metal Box Company of Tanzania Limited Head office and factory: Dar-es-Salaam	50·00%	Tanzania
	The Metal Box Company of Central Africa Limited Head office: Salisbury Factories: Bulawayo, Salisbury (Shares held as to 80% by the Overseas Company and 20% by the South African subsidiary.)	93·26%	Rhodesia
	The Metal Box Company of Nigeria Limited Head office and factory: Apapa	80·00%	Nigeria
Asia	The Metal Box Company of India Limited Head office: Calcutta Factories: Bombay, Calcutta, Cochin, Faridabad (Haryana), Madras, Mangalore	60·26%	India
	Kosmek Plastics Manufacturing Limited Head office and factory: Bombay	30·73%	India
	The Metal Box Company of Malaysia Limited Head office and factory: Singapore	61·67%	Singapore
	Sharikat Metal Box Tanah Melayu Sdn. Berhad Head office: Petaling Jaya (Kuala Lumpur) Factories: Johore Bahru, Petaling Jaya	61·67%	Malaysia
	The Metal Box Company Thailand Limited Head office and factory: Bangkok	61·67%	Thailand
Europe	Superbox S.p.A. Head office: Florence Factories: Lesmo (Milan), S. Ilario (Parma)	93·06%	Italy
West Indies	The Metal Box Company of Jamaica Limited Head office and factory: Kingston	100·00%	Jamaica
	The Metal Box Company of Trinidad Limited Head office and factory: Port of Spain	100·00%	Trinidad

The percentages given represent the Metal Box interest at 31st March 1969 in the equity capital of subsidiary and associated companies. Underlying subsidiaries are shown inset under their own parent companies. Subsidiaries and associates which are not material have been omitted.

The Metal Box Company Overseas Limited

The percentages given represent the Metal Box Overseas interest at 31st March 1969 in the equity capital of associated companies. Those investments marked with an asterisk are quoted on a Stock Exchange overseas.

Associated Companies

	Company	%	Country of incorporation
Asia	The Palestine Can Company Limited, Petach-Tikva	27·08%	Israel
	Hashimi Can Company Limited, Karachi (Shares held as to 28·79% by the Company and 4·54% by a subsidiary.)	33·33%*	Pakistan
Australasia	Containers Limited, Melbourne	10·75%*	Australia
	United Packages Limited, Brisbane	0·53%*	Australia
	Alex. Harvey & Sons Limited, Auckland	7·09%*	New Zealand
Europe	International Machinery Corporation S.A., St. Nicolas-Waas	3·33%	Belgium
	A/S Haustrups Fabriker, Odense	16·66%	Denmark
	Etablissements J. J. Carnaud et Forges de Basse-Indre, Paris	0·59%*	France
	Hellas Can A.E., Athens	35·00%	Greece
	Thomassen & Drijver-Verblifa N.V., Deventer	8·69%*	Holland
	Ormis-Embalagens de Portugal, S.A.R.L., Alcochete	10·00%	Portugal
	Olmesa, Compañía Internacional de Envases, S.A., Madrid	8·62%	Spain
	Aktiebolaget Plåtmanufaktur, Malmö	1·40%*	Sweden

Correspondent Companies

Company	Country
S.A. Sobemi, Brussels	Belgium
Continental Can Company of Canada Limited, Toronto	Canada
Oy. G. W. Sohlberg Ab., Helsinki	Finland
Schmalbach-Lubeca-Werke A.G., Brunswick	Germany
Yoshino Kogyosho Company Limited, Tokyo	Japan
Noblikk-Sannem A/S., Moss	Norway
Louis Sauter A.G., Ermatingen	Switzerland
Continental Can Company Inc., New York	U.S.A.

METAL BOX

ANNUAL TRADING

Year End March 31st	Sales £000's	Profits[a] Pre-interest £000's	Margins %	U.K. Sales £000's	U.K. Profits Pre-interest £000's	U.K. Margins %
1962	98,358	8,675 [a]	8.8	70,025	5,639 [a]	8.0
1963	108,305	9,044 [a]	8.4	77,957	6,088 [a]	7.8
1964	116,592	10,158 [a]	8.7	83,018	6,862 [a]	8.3
1965	128,071	12,269 [a]	9.6	88,407	7,975 [a]	9.0
1966	141,442	13,636 [a]	9.6	95,885	8,519 [a]	8.9
1967	145,833	14,714 [b]	10.1	101,558	10,026 [b]	9.9
1968	160,494	15,394 [c]	9.6	106,963	10,322	9.7
1969	173,343	16,762 [d]	9.7	116,145	10,727	9.2
Our Forecasts						
1970	194,261	17,965	9.2	129,220	11,585	9.0
1971	226,600	23,190	10.2	154,000	16,115	10.5

a After deducting bank interest

b After adding back £54,000 exceptional loss on Indian devaluation, £16,000 issue expenses overseas and £71,000 issue expenses in the U.K.

c After deducting £212,000 exceptional devaluation profit.

d After deducting £234,000 exceptional devaluation profit and adding back £127,000 exceptional issue expenses.

RECORD SINCE 1961/2

Over-Seas Sales £000's	Over-Seas Profits Pre-interest £000's	Over-Seas Margins %	Capital Employed April 1st £000's	Pre-interest Return on Cap. Employed %	Pre-tax Profits Per Share[e] £	Increase %
28,333	3,036 [a]	10.7	66,734	13.0	.183	
30,348	2,956 [a]	9.7	71,021	12.7	.192	4.9
33,574	3,296 [a]	9.8	73,933	13.7	.215	12.0
39,664	4,294 [a]	10.8	79,285	15.5	.262	21.9
45,557	5,118 [a]	11.2	84,898	16.1	.292	11.5
44,275	4,688 [b]	10.6	87,432	16.7	.309	5.8
53,531	5,072 [c]	9.5	89,100	17.3	.319	3.2
57,198	6,035 [d]	10.6	101,376	16.5	.346	8.5
65,041	6,380	9.8	108,613	16.5	.369	6.6
72,600	7,075	9.7	--	--	.460	24.7

e Adjusted for capital changes. Since 1962 minority interests as a proportion of after tax profits have fallen from 12.1% to 11.5% so this column provides a useful measure of profits growth, excluding the effects of tax changes.

The forecasts allow for price increases for the Open Top Group and General Line Group:- 5¾% - 6½% July 1969 and approx. 10% March 1970. 1971 projections for the Overseas Group do not allow for the proposed disposal of the controlling interest in Superbox S. P. A.

The U.K. profits figures include investment grants.

APPENDIX IV

METAL BOX SALES ABROAD BY AREA

Geographical analysis of exports

	1967/8 £m.	%	1968/9 £m.	%
Africa	0.9	11.3	0.7	7.1
Asia	0.4	5.0	0.7	7.1
Europe	5.8	72.5	7.4	5.5
Other Countries	0.9	11.3	1.0	10.2
	8.0		9.8	

Geographical analysis of sales of overseas companies

	1967/8 £m.	%	1968/9 £m.	%
Africa	27.3	51.0	29.7	51.9
Asia	18.8	35.1	19.3	33.7
Europe	5.3	9.9	5.9	10.3
West Indies	2.1	3.9	2.3	4.0
Total	53.5		57.2	

PER CAPITA CONSUMPTION OF CANNED FOODS IN KILOGRAMMES

Country	Vegetables	Fruit	Meat
Belgium	8.3	7.1	1.6
France	10.7	3.3	0.8
Germany	8.3	5.5	3.1
Holland	8.5	3.1	3.9
U.K.	17.0	8.8	5.6
U.S.	19.9	11.5	6.7