Department of Justice

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**JUSTICE DEPARTMENT CHALLENGES ALCOA'S
PURCHASE OF REYNOLDS' ALUMINUM CAN STOCK PLANT**

WASHINGTON, D.C. -- The Department of Justice sued today to prevent the Aluminum Company of America (Alcoa) from purchasing Reynolds Metals Company's aluminum rolling mill and other related assets in Muscle Shoals, Alabama. Justice officials said the purchase would result in higher prices for aluminum used to produce cans and higher prices to consumers who purchase canned beverages.

"This is a classic case of a highly concentrated industry becoming even more concentrated. That's what the Clayton Act was designed to prevent," said Joel I. Klein, Assistant Attorney General for Antitrust. "Alcoa's purchase of the Reynolds plant will reduce competition by making it easier for the few remaining producers to increase the price of can stock in the United States."

Reynolds' Listerhill facility primarily manufactures aluminum can stock, which is used to make the familiar 12-ounce cans for soft drinks, beer, and other beverages. U.S. sales of aluminum can stock exceeded $4.5 billion in 1996.

According to the complaint, which was filed in U.S. District Court in the Northern District of Alabama, Alcoa proposes to pay Reynolds at least $250 million for its rolling mill and other facilities, and will also obtain a 7-year contract to supply Reynolds with aluminum can stock for its can-making facility. Under the agreement with Alcoa, Reynolds must close down the facility (and pay the associated costs) before transferring ownership to Alcoa, which has no need for additional can stock production capacity, and no present intention of using the facility to produce can stock.

Added Klein, “Allowing Alcoa to buy Reynolds only to shut it down will hurt consumers--both the manufacturers of cans and the millions of Americans who buy soft drinks and other beverages packaged in cans. The removal of Reynolds, which has been an important competitive force in the market, will result in those consumers paying higher prices."

Alcoa, located in Pittsburgh, Pennsylvania, is the largest maker of aluminum can stock in the United States. Reynolds, headquartered in Richmond, Virginia, is the third largest maker of aluminum can stock in the United States. Together they own more than 60 percent of U.S. can stock capacity, in a market that has only two other major companies. These four firms dominate the can stock business, accounting for 90 percent of U.S. can stock sales.

According to the complaint, there are two types of can stock, each of which is a relevant market. Alcoa and Reynolds are the first and second largest producers of end stock, used to make the lid and pull tab of a beverage can. They are also the second and fourth largest producers of body stock, used in making the body of the can. End stock is made of harder alloys, requires more powerful mills and more mill time to produce than body stock.

Alcoa and Reynolds have 20 days to answer the government's complaint. The court will then set a schedule.

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