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Our ref: IM-70430
Contact officer: Alex Reed
Contact phone: 02 6243 1364

2 December 2019

Dear Interested Party

Re: Request for submissions: Australian Paper's proposed acquisition of Orora Fibre

The Australian Competition and Consumer Commission (**ACCC**) is seeking your views on the proposed acquisition of Orora Limited's (**Orora**) Australian paper and recycling, fibre packaging, and sacks and bags business (**Orora Fibre**) by Opal Packaging Australia Pty Ltd, a wholly owned subsidiary of Paper Australia Pty Ltd (**Australian Paper**) (the **proposed acquisition**). Australian Paper manufactures a wide range of paper products, including packaging paper products such as kraft linerboard and sack and bag paper. Orora Fibre produces recycled packaging paper as well as converted packaging products such as corrugated boxes, sacks, bags, and folding cartons. **Attachment A** provides further detail about the proposed acquisition.

The ACCC's investigation is focused on the impact on competition. In particular, we are seeking your views on:

- whether converted packaging product manufacturers have alternative options for sourcing packaging paper products,
- whether Australian Paper and Orora Fibre currently compete to supply paper products used in converted packaging product manufacture, and/or to supply converted packaging products, and
- whether the prices of packaging paper products, or converted packaging products, will increase.

Further issues you may wish to address are set out in **Attachment B**.

This matter is public and you can forward this letter to anybody who may be interested.

The legal test which the ACCC applies in considering the proposed acquisition is in section 50 of the *Competition and Consumer Act 2010*. Section 50 prohibits acquisitions that are likely to have the effect of substantially lessening competition in a market.

Please provide your response by no later than **5pm on 16 December 2019**. Responses

may be emailed to mergers@acc.gov.au with the title: *Submission re: Australian Paper Orora - attention Alex Reed/Nadia Vassos*. If you would like to arrange a time to discuss the matter with ACCC officers, or have any questions about this letter, please contact Alex on 02 6243 1364 or Nadia on 02 6243 1016.

Updates regarding the ACCC's investigation will be available on the ACCC's Public Mergers Register at ([ACCC mergers register](#)).

Confidentiality of submissions

The ACCC will not publish submissions regarding the proposed acquisition. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the *Competition and Consumer Act 2010*. Where the ACCC is required to disclose confidential information, the ACCC will notify you in advance where possible so that you may have an opportunity to be heard. Therefore, if the information provided to the ACCC is of a confidential nature, please indicate as such. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

Yours sincerely



Tom Leuner
General Manager
Merger Investigations

Attachment A

The Transaction

Australian Paper proposes to acquire Orora Fibre, which consists of Orora's following Australian business units:

- Paper and recycling: cardboard recycling and the manufacture of recycled packaging paper at the Botany Paper Mill,
- Fibre packaging: corrugated box manufacturing and distribution of packaging materials, and
- Cartons and bags: manufacturing custom printed folding cartons, tailored industrial sacks and bags, and laminated paper.

The transaction includes certain assets owned by Orora Limited and Orora Packaging Australia Pty Ltd, as well as the following wholly owned Orora subsidiaries:

- PP New Pty Ltd (and wholly owned subsidiary AP Chase Pty Ltd),
- Rota Die International Pty Ltd, and
- Specialty Packaging Group Pty Ltd.

Orora Limited

Orora designs and manufactures beverage packaging products, fibre packaging products, recycled paper packaging, point-of-purchase and visual communications. Orora also offers broad end-to-end solutions and complementary services, including global product sourcing, distribution, design, printing and warehouse optimisation.

Orora employs approximately 7,010 people across Australasia and North America. Orora's head office is located in Hawthorn, Victoria.

Orora Limited is a locally owned publicly listed company (ASX: ORA).

Australian Paper

Australian Paper manufactures packaging papers, office papers, and envelope and stationary products.

Australian Paper employs approximately 1,220 people and has operations in Australia, Taiwan, Hong Kong, Malaysia, Singapore, the United States, and Germany. Australian Paper's head office is located in Mount Waverley, Victoria.

Australian Paper is wholly owned by Nippon Paper Industries Co Ltd, a Japan-based paper manufacturing company.

Attachment B

Questions for all interested parties

1. Please provide a brief description of your business or organisation.
2. Please outline the reasons for your interest in the proposed acquisition, including any commercial relationship/s with either of Australian Paper or Orora Fibre.

The questions below have been separated into categories; however, you can answer any question from any category.

For customers that acquire packaging paper products as inputs for converted packaging products (e.g. finished sacks, bag and boxes)

3. Please describe your organisation's purchase of packaging paper products, including information regarding the specific types of products you use, how you source these, and volumes/value of your purchases over the last three years.
4. Please identify and describe other suppliers of packaging paper products including the extent to which they compete with Australian Paper and/or Orora Fibre with reference to how they compare in terms of pricing, product quality and service quality.
5. Please comment on the availability of products that are close alternatives for the packaging paper products you acquire (including whether recycled products are substitutable for new/kraft products and vice versa), with reference to the functionality and relative prices of those alternatives. Please also identify relevant suppliers of any such alternative products.
6. Please comment on whether you would switch a significant proportion of your demand to alternative products in response to a combined "Australian Paper/Orora Fibre" attempting to increase prices of packaging paper products by, for example, 10%. In addressing this point, please explain the costs involved in switching, and include any historical examples of switching and related costs.
7. Please address the geographic area over which customers generally source packaging paper products, and their ability to source packaging paper products from further away.
8. Please comment on the ability of competing suppliers of packaging paper products to expand supply in response to the combined "Australian Paper/Orora Fibre" attempting to increase prices. In addressing this point, please describe competing suppliers' excess capacities and any obstacles to expansion.
9. Are imports of packaging paper products a viable option for you? Please identify relevant importers supplying customers in Australia, as well as details of any imports by your organisation, including details on the product range, volumes (over the last three years) and any other relevant factors. Would imports be likely to increase in response to any increase in prices by a combined "Australian Paper/Orora Fibre"?
10. Please identify potential entrants to the supply of packaging paper products.

For suppliers of packaging paper products (e.g. linerboard, sack and bag paper)

11. Please describe your organisation's supply of packaging paper products, including information regarding the specific types of products you supply, how you source these, and volumes/value supplied over the last three years.
12. Please identify and describe other suppliers of packaging paper products including the extent to which they compete with Australian Paper and/or Orora Fibre. Please describe how they compare in terms of pricing, product quality and service quality.
13. Please address the geographic area over which customers generally source packaging paper products, and their ability to source packaging paper products from further away, including imports.
14. Please comment on the ability of competing suppliers of packaging paper products to expand supply, or switch some or all of their production from other products, in response to the combined "Australian Paper/Orora Fibre" attempting to increase prices. In addressing this point, please describe competing suppliers' excess capacities and any obstacles to expansion.
15. Please identify potential entrants to the supply of packaging paper products. In your response, please include the likely timeframe for market entry and provide details about barriers to entry, such as:
 - a. the scale required to be able to operate efficiently,
 - b. costs of market entry, and the extent to which these costs would not be recoverable on market exit,
 - c. timeframe for market entry,
 - d. any regulatory barriers, such as environmental or planning regulations,
 - e. exclusive/long-term customer contracts or the extent of brand loyalty,
 - f. access to key inputs or distribution channels, and
 - g. market growth/decline, and examples of recent market entry and exit.

For customers that acquire converted packaging products (e.g. finished sacks, bag and boxes)

16. Please identify and describe other suppliers of converted packaging products (e.g. finished sacks, bags and boxes), including potential suppliers, and the extent to which they compete with Orora. Relevant factors may include product ranges, geographic areas of supply, scale, brand recognition, product quality or service standards. Please provide specific examples where possible.

Other information or competition issues

17. Please provide any additional information or comments, or identify other competition issues, that you consider relevant to the ACCC's consideration of the proposed acquisition under section 50 of the Act.