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Australian Paper’s Orora acquisition not opposed

The ACCC won’t oppose the proposed acquisition of Orora Fibre (ASX:ORA) by Australian Paper.

Australian Paper is the only independent, non-vertically integrated, domestic supplier of certain paper packaging inputs made from kraft fibre. Following the proposed acquisition, it would become vertically integrated with one of its major customers, Orora Fibre.

The ACCC looked closely at the likely impact of this acquisition on other buyers of packaging paper products.

“The key focus of the ACCC’s investigation was the impact of Australian Paper vertically integrating with a paper packaging manufacturer. We decided not to oppose this acquisition because we considered that imports and other Australasian producers of packaging paper products would continue to provide options for buyers,” ACCC Commissioner Stephen Ridgeway said.

In particular, the ACCC carefully considered the market for kraft linerboard, as this is a key input for the manufacture of durable corrugated cardboard boxes.

“Although imports of kraft linerboard, used to make cardboard boxes, are currently limited we found that it is readily traded globally and is produced by several manufacturers around the world. If kraft linerboard was no longer available in Australia, we think Australian purchasers would be able to import this product at competitive prices,” Mr Ridgeway said.

“We also considered that Australasian suppliers, such as Visy, Oji Fibre Solutions or Australian Paper would likely still have the incentive to continue to supply Australian customers.”

Further information is available at the ACCC public register.

Background

Australian Paper is a wholly owned subsidiary of Nippon Paper Industries and manufactures a wide range of paper products, including packaging paper products such as kraft linerboard and sack and bag paper.

Kraft packaging paper is comprised entirely or predominately of pulp produced from wood chips. Kraft linerboard, a derivative of kraft paper, is an input for the manufacture of cardboard boxes. Kraft sack and bag paper is used to manufacture sacks and bags for industrial and retail purposes.

Orora Fibre produces recycled packaging paper as well as paper packaging products such as corrugated boxes, sacks, bags, and folding cartons. Orora currently uses Australian Paper’s kraft products in the construction of sacks, bags and cardboard boxes.

This transaction covers certain assets owned by Orora Limited and Orora Packaging Australia Pty Ltd, and the following wholly owned Orora subsidiaries: PP New Pty Ltd (and
its wholly owned subsidiary AP Chase Pty Ltd), Rota Die International Pty Ltd, and Specialty Packaging Group Pty Ltd.

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