

President: Tony Wood
P.O. Box 4269
Dandenong South VIC 3164
Phone: 03-8795-5200
Fax: 03-9799-8911
E-mail: tony@daieiaust.com.au

Secretary: Tony O'Shannessy
P.O. Box 639
Inverell NSW 2360
Phone/Fax: 02-6722-3329
E-mail: tosanda@bigpond.net.au

May 21st, 2004

The Secretary, NPC Inquiry
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

Dear Sir,

Review of National Competition Policy (NCP) Arrangements

I wish to make a brief submission to the above-mentioned review on behalf of the Independent Paper Group (IPG).

This submission is limited to the second part of the Commission's terms of reference – that is areas offering opportunities for significant gains to the Australian economy from removing inefficiencies and enhancing competition. Specifically it concerns the area of unfinished business, particularly the review of Australia's anti-Dumping System, policies and legislation.

The Independent Paper Group (IPG)

The IPG was formed in late 1999 to provide an independent view to governments on a range of industry policy, trade, dumping, competition and environmental issues. The group now comprises 20 senior executives of independent paper merchants, overseas mill agents and other importers, supplying some two-thirds of Australia's fine paper market, valued in excess of \$1.5 billion. It is thus an integral part of Australia's fine paper industry, together with the local producer, Australian Paper, part of PaperlinX Limited, which in turn encompasses PaperlinX paper merchants.

A list of current members of the IPG is attached at Attachment A and further details of the group are available on the group's website at www.independentpapergroup.com

Relevance of Review to the Group's Activities

As indicated earlier, the group was formed to give an independent view to governments on a range of issues, although the primary impetus for the group's formation were members' concerns with the administration and operation of Australia's Anti-Dumping System and competition issues. In this regard, the group has made a number of submissions/representations to the relevant Minister of Justice and Customs concerning the use of anti-dumping actions by the local industry as an anti-competitive tool. The perceived manipulation and politicisation of the system, through persistent lobbying of the Minister and staff by the Industry Task Force on Anti-Dumping and others, to delay and/or overturn unfavourable (to the local industry) recommendations put to the Ministers by Customs, after extensive public inquiry and report, has also been of concern.

Our concerns regarding competition issues were put forward in submissions to a number of inquiries, particularly those relating to the acquisition of Commonwealth Paper by Spicers Paper Limited, PaperlinX's full acquisition of Spicers Paper Limited, and a recent anti-dumping action brought by the local industry in relation to certain A4 cut ream paper exports from China.

Our submissions to the ACCC expressed the IPG's deep concerns with the acquisitions mentioned in the previous paragraph – these acquisitions coming on top of a series of creeping acquisitions which have gradually lessened competition in this once very competitive sector of the overall paper market. In the PaperlinX/Spicers case, the ACCC went some way towards relieving our concerns by insisting that two of the merged entity merchants, namely Commonwealth Paper and Edwards Dunlop, be divested. Additionally, the ACCC acknowledged that the local industry had used the Anti-Dumping System and legislation as an anti-competitive tool by having PaperlinX undertake to have any future anti-dumping applications examined by an independent adviser before going forward to Customs.

Despite this outcome, IPG members are still concerned with the obvious lessening of competition in the fine papers market where the merged entity now controls over 60% of the supply and distribution of all papers and over 90% of the fastest growth market, the white A4 cut ream copy/office paper market. Anti-dumping actions and measures, such as those brought by the local industry in respect to A4 copy papers from a wide range of countries, and coated woodfree papers from a number of established suppliers from Scandinavia, Europe, Japan and the USA, operating over the past decade through to February 2004, exacerbate the situation. The merged entity has had the ability to control the volume and pricing of imports, by importing (by PaperlinX merchants) from a number of low-priced suppliers not subject to anti-dumping measures.

A more recent concern was the anti-dumping action taken by the local industry against certain white A4 office papers from one supplier in China, after the apparent examination of the application by the ACCC approved by the 'independent' adviser (nominated by PaperlinX). Aside from expressing our concerns with the appointment and qualifications of the 'independent' adviser, we expressed our strongly held belief that the application had a number of substantial faults and was anti-competitive in nature – these beliefs being borne out by the early termination of the subsequent inquiry due to Customs findings of negligible (minus really) dumping.

Use of the Anti-Dumping System and Legislation as an Anti-Competition Tool

Aside from the use of the Anti-Dumping System and legislation as a pseudo-tariff mechanism, there is little doubt that it has been, and possibly still is, being used by the local paper manufacturer, as well as other chemical, plastic, and steel producers, as an anti-competition tool. Certainly, the actions brought by the local paper producer over the past decade have a strong anti-competitive element – even more so in the recent case brought in respect to exports of A4 office papers from China.

From the initial actions brought by the local producer, it is our strongly held view that the Anti-Dumping Task Force and others have developed a comprehensive agenda, whereby the Minister for Justice and Customs and his staff are subjected to an intense and wide-ranging lobbying effort, should they not agree with the recommendations and findings put forward by Customs on a particular anti-dumping case. For example, such lobbying delayed the Minister's final decision by well over nine months in one paper case. Delays of this magnitude and even more are reported to be experienced in respect to other commodities.

This situation is not only unfair, but it lacks balance, and is, in our view, contrary to Australia's obligations as a signatory to the WTO and the Anti-Dumping Agreement. Unfortunately, it is difficult to get this point over as the Government and political parties of all persuasions have adopted the policy of "being strong on dumping". Thus, in this atmosphere the local industry and the Anti-Dumping Task Force has been most successful in delaying or blocking a review of the Anti-Dumping System at an earlier date. We believe that the review is well overdue and should be undertaken by the Productivity Commission on a priority basis. Such a review would be in the national interest and offering, in our view, an "opportunity for significant gains to the Australian economy in terms of removing obvious inefficiencies and enhancing competition".

In summary, we strongly recommend the review of Australia's Anti-Dumping System and legislation at an early date as part of the Commissions future focus.

Yours Sincerely,

A. S. Wood
President
Independent Paper Group

Cc. IPG members