



competition commission
south africa

Media Statement

For Immediate Release

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CORRUGATED PACKAGING PAPER COMPANIES PROSECUTED FOR COLLUSIVE CONDUCT

The Commission has referred to the Competition Tribunal for prosecution, packaging paper products manufacturers and suppliers, Mpact Ltd (Mpact) and New Era Packaging (Pty) Ltd (New Era), for cartel conduct.

The two companies have been charged with fixing prices, dividing markets by allocating customers and tendering collusively in the market for the manufacturing and supplying of corrugated packaging paper products. Mpact and New Era manufacture and supply containerboards and cartonboards.

These products are used to produce final packaging paper products being, finished boxes. These finished boxes include fruit boxes, and boxes for secondary packaging of wholesale goods, cereal boxes, detergent boxes and paper plates.

This follows an investigation initiated by the Commissioner on 16 May 2016, against Mpact and New Era for price fixing, division of markets by allocating customers and collusive tendering in contravention of the Competition Act. This initiation was later amended to add more companies namely Sunnypack, Corroseal and Corroseal. The Commission did not find any evidence against these three added companies.

The Commission's investigation found that from the 1980's to 2015, Mpact and New Era had an agreement not to compete with each other for customers for the supply of packaging paper products. They achieved this by agreeing to allocate customers and ensuring that they did not bid in competition with each other in respect of the allocated customers.

Mpact and New Era also rigged the bids that they submitted to customers in order to prevent other market players from competing with them for the business of their allocated customers.

This conduct amounts to price fixing, division of markets by allocating customers and collusive tendering, which contravenes the Competition Act. The referral to the Tribunal follows an investigation by the Commission which included a dawn raid by the Commission conducted at the premises of Mpact and New Era on 26 May 2016.

The Commission has asked the Tribunal to impose an administrative penalty of 10% of New Era's annual turnover.

"We are extremely concerned about the pervasive nature of this conduct in the packaging sector. This affects most products, including the packaging of basic food stuff. It is largely the poor who bear the brunt of this manipulation of prices and division of markets. That this cartel has endured for about 40 years means that prices of so many products may have been inflated as a result," Competition Commissioner, Tembinkosi Bonakele said.

[ENDS]

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