



Australian
Competition &
Consumer
Commission

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NEWS RELEASE

ACCC RELEASES STATEMENT OF ISSUES ON AURIZON AND PACIFIC NATIONAL'S COMPETING PROPOSALS TO ACQUIRE GRAIL

The Australian Competition and Consumer Commission has released a combined Statement of Issues on alternative proposals to acquire Glencore Coal's rail business, GRail, by Aurizon (ASX:AZJ) and Pacific National.

As Glencore Coal is divesting GRail through a competitive bid process, the ACCC is currently assessing the proposals against the alternative scenario of a new player entering the market by acquiring GRail.

"The Hunter Valley coal haulage market appears to have high barriers to entry, so we would expect the addition of a third competitor to have a significant effect upon the market. This has been supported by market feedback. In contrast, an acquisition by Aurizon or Pacific National would essentially be a continuation of the status quo where there are two active players in the Hunter Valley coal haulage market," ACCC Chairman Rod Sims said.

"Aurizon and Pacific National were both sponsored into each other's coal haulage markets in Queensland and New South Wales and there has been little or no new entry before or since. There are some examples of coal producers acquiring their own rolling stock, but Glencore Coal is the only Hunter Valley coal producer to have done so for a majority of its coal haulage requirements."

"Glencore is now selling that rolling stock along with a long-term haulage contract. Coupled with the fact that Glencore Coal is the largest coal producer in the Hunter Valley, this is a platform for entry that is unlikely to be replicated in the foreseeable future," Mr Sims said.

"However, the ACCC also recognises that coal producers are generally well-resourced, sophisticated parties that may be able to protect their own interests, even if Aurizon or Pacific National acquires GRail. We are going to be exploring their ability to leverage competition between Aurizon and Pacific National or to bypass both haulage providers by acquiring their own rolling stock or by sponsoring new entry."

The ACCC invites responses to the Statement of Issues by 21 October 2016. Its provisional date for a final decision is 15 December 2016.

Further information is available at the ACCC's public register.

Background

Pacific National hauls the majority of the coal on the Hunter Valley Rail Network, with Aurizon hauling the second largest volumes. GRail hauls most of Glencore Coal's production using rolling stock owned by Glencore Coal and operated by Genesee & Wyoming. Glencore is the largest coal producer in New South Wales.

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