



## 9 June 2022

## ACCC consults on Aurizon's proposed One Rail acquisition and divestiture

The ACCC has outlined preliminary competition concerns with Aurizon's (ASX: AZJ) proposed acquisition of One Rail in a statement of issues published today.

The ACCC is seeking public comment on whether these concerns would be addressed by Aurizon's proposed divestment of One Rail's east coast business.

Aurizon and One Rail both supply rail haulage services for coal in New South Wales and Queensland. There are three main suppliers of coal haulage in these states - Pacific National, Aurizon and One Rail.

Aurizon is the largest supplier of coal haulage in Queensland, and the second largest in NSW. One Rail is a well-established third supplier in NSW and a recently entered third competitor in Queensland that has had a significant impact.

"By reducing the number of competitors in the supply of coal haulage in New South Wales and Queensland from three to two and removing an important competitor to Pacific National and Aurizon, we have preliminary concerns that the proposed acquisition of One Rail by Aurizon would be likely to substantially lessen competition," ACCC Chair Gina Cass-Gottlieb said.

The ACCC is also considering whether the proposed acquisition would substantially lessen competition in one or more regional markets for the supply of rail haulage services for bulk commodities, other than coal. While the parties do not currently compete in the supply of these services, Aurizon has publicly stated its intention to continue to grow its non-coal bulk commodity rail haulage business.

"We're also considering the impact of this proposed acquisition on potential future competition in the supply of non-coal bulk rail haulage," Ms Cass-Gottlieb said.

Aurizon has proposed a divestment undertaking that seeks to address the ACCC's preliminary concerns. This undertaking proposes to divest One Rail's east coast business, which includes its coal haulage operations in NSW and Queensland. The undertaking would allow Aurizon to sell the business either by a trade sale or demerging it as a new separate ASX-listed entity.

The ACCC has released a draft of Aurizon's proposed divestment undertaking for public consultation as part of its statement of issues.

The ACCC has not formed a view about whether the proposed undertaking can resolve the ACCC's preliminary competition concerns. Feedback from public consultation will assist the ACCC to reach a final decision.

"A critical issue for the ACCC is determining whether Aurizon's divestiture undertaking will be effective in replacing the competition that would be lost because of the proposed acquisition," Ms Cass-Gottlieb said.

To address the likely competition issues, the ACCC will need to be satisfied that any new purchaser or the demerged business would be an effective, stand-alone, long-term competitor in the supply of coal haulage and non-coal bulk commodity rail haulage.

Divestment remedies via demerger are not common and can present certain risks and complexities which need to be assessed.

An important issue is whether the financial arrangements that Aurizon has proposed for the new entity, including its proposed debt levels, would affect the proposed demerged business's ability to become an effective competitor.

The ACCC invites submissions from interested parties in response to the statement of issues and undertaking consultation by 23 June 2022.

The ACCC's final decision is scheduled for 14 July 2022. More information, including the statement of issues, is available on the public register: Aurizon Holdings Ltd - One Rail Australia Holdings LP.

## Background

Aurizon is a provider of rail haulage services and rail network services. Aurizon states that it is Australia's largest rail freight operator for coal haulage and bulk rail haulage services.

One Rail is a provider of rail haulage and rail network services. It provides rail haulage services on the Adelaide to Darwin corridor, as well as in NSW, Queensland and SA.

Coal haulage typically refers to the movement of coal, by train, from mine site to port for export.

Bulk haulage refers to the movement by train of commodities or products such as iron ore, cement, bauxite, alumina, base metals, refined metals, grain, livestock, fertiliser or dangerous goods.