

MEDIA RELEASE



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Aurizon's proposed acquisition of One Rail not opposed, subject to divestiture

The ACCC will not oppose the proposed acquisition of One Rail by Aurizon (ASX: AZJ), after accepting a court-enforceable undertaking from Aurizon to divest One Rail's east coast business.

"Without the divestment of One Rail's east coast business, the ACCC considered that the proposed acquisition would reduce the number of main competitors in the supply of coal haulage in New South Wales and Queensland from three to two, likely resulting in higher prices or decreased service levels," ACCC Chair Gina Cass-Gottlieb said.

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

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 has recently emerged as a third competitor in Queensland that is having a significant impact.

Aurizon offered a proposed undertaking to the ACCC early in the process to divest One Rail's east coast business, which includes its coal haulage operations in NSW and Queensland. The undertaking allows Aurizon to sell the business either by a trade sale or demerging it as a new separate ASX-listed entity.

"The divestiture ensures that there will remain three main suppliers of coal haulage in New South Wales and Queensland," Ms Cass-Gottlieb said.

The ACCC also considered the impact of the proposed acquisition on competition in one or more regional markets for the supply of rail haulage services for bulk commodities, other than coal.

"We are also satisfied that the divestment of One Rail's east coast business would preserve it as a potential competitor to Aurizon for the supply of non-coal bulk rail haulage in the future, and Aurizon would continue to be constrained by a number of existing bulk rail haulage competitors," Ms Cass-Gottlieb said.

Divestiture remedies generally involve the divestiture business being sold to a purchaser approved by the ACCC. In this case, the undertaking includes an option for the divestiture to occur by demerging the east coast business as a new separate ASX-listed entity.

Divestitures of this type are not commonly accepted as a merger remedy as they present certain risks and complexities beyond a standard divestiture undertaking and therefore require careful scrutiny.

These risks largely arise from difficulties in assessing whether the proposed demerged business would become an effective, stand-alone and long-term competitor, such as to replace the competition that would otherwise be eliminated by a proposed acquisition.

“After thoroughly assessing these risks, and changes to the undertaking offered by Aurizon since it was first proposed, we are satisfied that in this instance, a demerger remedy option alongside a trade sale option would be acceptable,” Ms Cass-Gottlieb said.

Following the acquisition, Aurizon will retain One Rail’s bulk haulage operations and rail network assets in South Australia and the Northern Territory.

Concerns were raised with the ACCC that One Rail’s ownership of rail networks in South Australia and the Northern Territory allow it to continue to favour One Rail’s bulk rail haulage services to the detriment of competitors. Concerns were also raised about the ability of the regulation in place to adequately address the competitive impact of vertical integration in these regions.

“Our merger assessment is limited to competition effects that are the result of the proposed acquisition and cannot address concerns with the existing rail industry or its regulation,” Ms Cass-Gottlieb said.

“We are however satisfied that the transaction does not result in Aurizon having a greater ability and incentive than One Rail currently does, to prevent or impede a rival rail operator from competing on the SA and the NT networks.”

Further information, including the undertaking accepted by the ACCC, can be found on the ACCC’s public register: [Aurizon Holdings Ltd - One Rail Australia Holdings LP](#)

Notes to editors

In considering the proposed acquisition, the ACCC applies the legal test set out in section 50 of the Competition and Consumer Act. In general terms, section 50 prohibits acquisitions that would have the effect, or be likely to have the effect, of substantially lessening competition in any market.

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.

The ACCC will release a Public Competition Assessment in due course, which will explain its decision in greater detail.

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