

MEDIA RELEASE



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ACCC to monitor effect of Qube's acquisition of Newcastle Agri Terminal

The ACCC has decided it will not pursue enforcement action in relation to Qube's (ASX:QUB) completed acquisition of Newcastle Agri Terminal (NAT) at this time.

However, the ACCC remains concerned with potential impacts on the supply chain for bulk grain export through the Port of Newcastle, and will continue to monitor developments in the industry.

Qube completed its acquisition of NAT on 30 September 2021 before the ACCC was able to properly consider and review the transaction, leading [the ACCC to launch an investigation in October 2021](#) into whether the acquisition was likely to substantially lessen competition in breach of merger law.

Under the Competition and Consumer Act, the ACCC can seek court-ordered divestiture of shares or assets acquired in breach of the merger provisions for a period of three years after completion of a transaction, and can seek penalty orders for a period of six years.

"While we have decided not to take court action at this time, it is extremely disappointing to see parties complete an acquisition such as this without allowing enough time for appropriate regulatory review," ACCC Commissioner Stephen Ridgeway said.

Qube is Australia's largest provider of import and export logistics services including ports, bulk material handling, logistics and property services. The NAT is one of two bulk grain terminals located at the Port of Newcastle. Qube also operates the Quattro Terminal, one of two bulk grain terminals located at the Port of Kembla.

"Based on our investigation, if Qube limits deliveries from rival rail services, it will likely lose volume and revenue from its terminal. Any benefit to Qube's rail haulage business would likely be outweighed by the volume and revenue that would shift from the NAT to GrainCorp's terminal," Mr Ridgeway said.

"Under current market conditions, we do not consider Qube is likely to have an incentive to discriminate against rival rail haulage services accessing the NAT and the transaction is therefore unlikely to substantially lessen competition. Feedback from market participants is that operations at the NAT have not changed since Qube's acquisition. However, we will continue to monitor the situation."

The ACCC also considered the likelihood of anti-competitive effects in other markets if, following the acquisition of NAT, Qube offered grain traders a bundled service combining any of its up-country wheat storage, rail haulage and terminal services at NAT.

"GrainCorp also has a major terminal at the Port of Newcastle which limits Qube's ability to use the NAT as a basis for engaging in anti-competitive bundling. Qube currently also has limited volumes and market share in both up-country storage and rail haulage, which reduce the likelihood that bundling would impede Qube's competitors' ability to compete in those markets," Mr Ridgeway said.

"Based on current market conditions, our view at this stage is that it is unlikely that a Qube bundled offering would have an anti-competitive effect."

"However, the ACCC is conscious that market conditions can change quickly, and we will continue to keep a eye on any bundling and its effects," Mr Ridgeway said.

The ACCC also considered whether there may be competition lost between the NAT Terminal and Qube's Quattro Terminal, but concluded that this was not significant.

Market feedback suggests the NAT Terminal does not overlap significantly with Qube's Quattro Terminal at the Port of Kembla. Each terminal exists in a separate "draw zone", which is determined by the relative distance and price of transporting grain from up-country sites to the port for export.

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

Qube Logistics (SB) Pty Ltd, a wholly owned subsidiary of Qube Holdings Pty LTD (ASX:QUB), acquired a 83.9 per cent interest in Newcastle Agri Terminal Pty Ltd, which owns the bulk grain export terminal located at the Port of Newcastle known as the Newcastle Agri Terminal.

The Qube group owns and operates up-country grain storage sites at Narromine and Coonamble, and supplies rail haulage in NSW. It also owns and operates the Quattro bulk grain terminal in Port Kembla, NSW.

Newcastle Agri Terminal is a bulk grain terminal at the Port of Newcastle. The terminal is one of two bulk grain terminals located at the Port of Newcastle servicing export grain from farms and storage in northern NSW.

Grain is sold by farmers to grain traders, where it is received and stored in up-country storage sites around NSW. Grain is then transported by road and rail to port terminals to be stored on site for short period or loaded onto vessels for export.

GrainCorp is the largest provider of up-country storage services and there are four main rail haulage service providers including Pacific National, Southern Shorthaul Rail, Aurizon and Qube. All rail providers deliver to the Newcastle Agri Terminal and some deliver to GrainCorp's Newcastle terminal on behalf of grain traders.

Qube notified the ACCC on 8 September 2021 and then completed the transaction on 30 September, despite requests from the ACCC to delay completion of the transaction after competition concerns were raised by market participants. The ACCC launched a merger law enforcement investigation on 7 October 2021.

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