

FINANCIAL REVIEW

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HD ACCC's concerns delay Asciano deal

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LP Canada's Brookfield Infrastructure may be forced to hand control of the Australian Container Freight Services joint venture to the Tzaneros family to help overcome competition concerns over the \$9 **billion** break-up of ports and rail giant Asciano.

The battle for control of Asciano hit a fresh snag on Thursday after the Australian Competition and Consumer Commission flagged a series of "amber light" concerns that will need to be addressed for the deal to get over the line.

TD The regulator released a statement of issues, as foreshadowed by Fairfax Media, which means its final decision on the drawn-out takeover deal will be delayed until July 21 and the transaction will stretch to more than a year if completed.

At the heart of the ACCC's concerns is the 50-50 joint venture, ACFS Port Logistics, which was formed in mid-2015 between Arthur and Terry Tzaneros and Asciano.

Under the proposed takeover, Asciano's stake in the ACFS joint venture is to be acquired by Canada's Brookfield, Singapore sovereign wealth fund GIC, Qatar Investco and the British Columbia Investment Management Corporation.

The ACCC said it was concerned by a lack of competition if this aspect of the deal were to proceed.

ACFS has already asked the NSW Supreme Court to halt the deal and sources close to the transaction told Fairfax Media the Tzaneros family may gain overall control of the venture to sate the ACCC's concerns.

Brookfield disputed the ACCC's contention that the tie-up will result in less competition. "Brookfield remains of the view that none of the issues raised by the ACCC will result in a lessening of competition," the **company** said in a statement. "However, the consortium continues to be committed to working with the ACCC to address these issues expeditiously."

ACCC chairman Rod Sims said the regulator had received many submissions, with some in the market concerned by the prospect of less competition from the tie-up of Patrick, Qube and ACFS.

He noted the ACCC was concerned Patrick container terminals may provide "preferential access" to Qube and ACFS vehicles, along with Qube regional export trains into Port Botany, and this could **lead** to a hike in rivals' costs.

"Qube and Brookfield will each own 50 per cent of Patrick container terminals, and may have parallel incentives to favour their landside logistics **operations**," Mr Sims said.

A second issue centres on rival stevedores, which are concerned if Patrick gives better treatment to the container logistics **operations** of both Qube and ACFS then the two companies may boost the service they offer to importers and exporters on the basis they use shipping lines calling at Patrick container terminals.

The ACCC is also considering whether stevedoring and empty-container park services will be bundled together, in a way that forecloses rival stevedores. Submissions to the ACCC's statement of issues are due by June 10, and a final decision expected on July 21.

Asciano said on Thursday it would keep its meeting to vote on the scheme set for June 3 despite the ACCC still considering the issue.

Asciano's board has recommended that investors accept a takeover bid worth \$9.28 a share, which would split the port and rail group into three parts, with separate consortiums acquiring the **company's** rail, ports and bulk and automotive ports services businesses.

The joint takeover bid led by Qube and Brookfield, which ended a nine-month takeover battle between the two groups for Asciano, is designed to address the ACCC's previous concerns over an earlier proposal from Brookfield to acquire all of the **company**.

In the complex Asciano takeover bid, Brookfield will acquire the Patrick container ports business in a joint venture with Qube, and a group of international pension funds will buy Pacific National. Qube will own 50 per cent of Patrick and Brookfield will own 33.5 per cent directly. Pacific National will be acquired by Global Infrastructure Partners, the Canada Pension Plan Investment Board (CPPIB), China's CIC Capital Corporation as well as GIC and BCIMC. Brookfield and GIC, BCIMC and QIA will jointly acquire Asciano's bulk and automotive ports services businesses (BAPS), with Brookfield taking a two-thirds **stake**.

Separately, CPPIB will take a 9.99 per cent **stake** in Qube while several investment groups have stakes in other Australian infrastructure businesses, including BCIMC's 9 per cent interest in DBCT Management, the leaseholder of Queensland's Dalrymple Bay **Coal** Terminal.

CO brknfr : Brookfield Infrastructure Partners L.P. | ascian : Asciano Ltd. | auccc : Australian Competition and Consumer Commission

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