



**Australian
Competition &
Consumer
Commission**

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Our Ref: C2004/1418
Your Ref:
Contact Officer: David Hatfield
Contact Phone: 02 6243 1266

7 October 2004

Mr John Campbell
General Manager
Manildra Flour Mills
PO Box 72
Auburn NSW 2144

Dear Mr Campbell

GrainCorp and AWB - Applications for Authorisation (A30233-A30235) – Interim Authorisation

The Australian Competition and Consumer Commission (the Commission) has considered the request by GrainCorp Operations (GrainCorp) and the Australian Wheat Board (AWB) for interim authorisation in respect of the above-mentioned applications lodged with the Commission on 27 September 2004.

Based on the information provided and submissions received from interested parties, the Commission has decided to grant interim authorisation to the above applications. Interim authorisation allows the parties to engage in the conduct prior to the ACCC considering the substantive merits of the application.

Interim authorisation is therefore granted for:

- the acquisition by GrainCorp and AWB of all the ordinary shares of Export Grain Logistics
- the export collaborative arrangements between the applicants pursuant to a Joint Venture Shareholders Agreement between GrainCorp, AWB and Export Grain Logistics for the management and co-ordination of the supply chain for the export of grain from Queensland, New South Wales and Victoria
- the operation and supply of services by Export Grain Logistics on condition that neither AWB nor GrainCorp conduct, carry on or promote a separate export grain logistics business in Queensland, New South Wales or Victoria.



This interim authorisation is granted until such time as the Commission makes a determination in respect of this matter (or should circumstances warrant revocation or amendment of the interim authorisation at some earlier time).

In deciding to grant this interim authorisation, the Commission took into account the following:

- the size and proximity of the upcoming harvest and the need for improved co-ordination between the applicants and rail providers in managing the harvest and export task
- the losses to the applicants and growers if the expected efficiencies are not achieved (or inefficiencies corrected) this season
- the small size, lack of assets and simple structure of the joint venture suggests that it can be dismantled fairly quickly and effectively with any contracts assigned back to the applicants as principals.

The ACCC will continue to consult with interested parties to inform its consideration of the substantive application for authorisation, including the practical impacts of the joint venture arrangements over the coming harvest season.

You should be aware that the Commission's decision in relation to interim authorisation should not be taken as an indication that the Commission would make a similar decision in its final determination.

With respect to your comments regarding the previous informal merger process, the ACCC did not make a public statement because it did not make a decision to either oppose or not oppose the proposed arrangements. In discussions with the parties the ACCC raised competition issues beyond just merger (s.50) concerns and noted that certain arguments being put by the parties may be more appropriately considered within the authorisation context. The parties decided to apply for authorisation. The formal authorisation process supersedes the previous informal merger process.

Should you have any questions please contact David Hatfield on (02) 6243 1266 or Paul Hutchison on (02) 6243 1242.

A copy of this letter will be placed on the public register.

Yours sincerely

A handwritten signature in black ink, appearing to be 'TG' followed by a stylized flourish.

Tim Grimwade
General Manager
Adjudication Branch