

Scope of Joint Venture
Under consideration by Commerce Commission

Scope of the Transaction

USG and Boral propose to form an incorporated joint venture spanning Asia, India, the Middle East and Australasia, including New Zealand for the supply of:

- Plasterboard;
- Ceiling tiles; and
- Ancillary building products (including metals, compounds, etc).

Rationale for the Transaction

The reasons for forming the joint venture are to enable Boral's extensive distribution and regional manufacturing capabilities in a number of Asia-Pacific countries to use USG's leading intellectual property in plasterboard, joint compounds and ceiling technologies. This will assist in delivering additional high quality choices to customers in many countries.

However, there will not be any immediate effect in New Zealand because Boral does not operate any manufacturing or distribution infrastructure in New Zealand. Nevertheless, enhancing regional manufacturing capabilities, and more generally the penetration of higher quality products in adjacent countries, should make it easier for supplies to be landed into New Zealand in the future either by the suppliers or by customers.

Metals in New Zealand

In New Zealand:

- USG operates a manufacturing facility that produces metal building products primarily for the Australian and New Zealand markets; and
- Boral owns a 50% interest in Rondo which supplies metal products to New Zealand that are predominantly imported from its Australian manufacturing operation or, for a limited number of products, from its New Zealand manufacturing operation. CSR is the other 50% owner of Rondo.

USG's New Zealand facility will become part of, and be operated by, the new USG-Boral joint venture. Not so for the Rondo facility which will remain separately 50% owned by CSR and separately managed. USG and Rondo will remain competitors of each other in relation to the full range of metals products.

Relevantly, the transaction before the Commerce Commission does not involve any merger/combination of USG's and Rondo's manufacturing and sales businesses. No merger of these businesses has been negotiated. Any speculation concerning the possibility of such a merger/combination is without foundation.

If, in the future, a joint venture/Rondo merger was ever negotiated with CSR, the Commerce Commission would have jurisdiction over that transaction at that time.
