

This document is a supplementary bidder's statement under section 643 of the Corporations Act 2001 (Cth) (**Corporations Act**). It is the second supplementary bidder's statement (**Second Supplementary Bidder's Statement**) issued by Toll Holdings Limited ACN 006 592 089 (**Toll**) in connection with Toll's off-market takeover bid to acquire all issued shares in Patrick Corporation Limited ACN 008 660 124 (**Patrick**) contained in Toll's bidder's statement dated 15 September 2005 (**Bidder's Statement**). This Second Supplementary Bidder's Statement supplements, and must be read together with, the Bidder's Statement and the Supplementary Bidder's Statement dated 2 November 2005 (together, the **Earlier Statements**). Unless the context otherwise requires, terms defined in the Bidder's Statement have the same meaning in this Second Supplementary Bidder's Statement. This Second Supplementary Bidder's Statement will prevail to the extent of any inconsistency with the Earlier Statements.

Second Supplementary Bidder's Statement

11 November 2005

in respect of Toll's Offer for

PATRICK CORPORATION LIMITED

ACN 008 660 124



TOLL HOLDINGS LIMITED

ACN 006 592 089

1. ACCC

Following its initial market inquiry process the ACCC on 10 November 2005 released a statement of issues (**Statement of Issues**) which provides the opportunity for Toll and other interested parties to provide comment on the issues raised by the ACCC. The Statement of Issues does not represent a decision of the ACCC to oppose a merger. It indicates that further investigations are to be carried out. The Statement of Issues is attached as Annexure A.

The issues which are raised in the Statement of Issues are areas which Toll has been discussing with the ACCC and there is nothing in the Statement of Issues which is unexpected.

The specific areas which the ACCC has raised as issues of concern are:

- (a) the interaction between freight forwarding and rail linehaul on the east-west corridor;
- (b) concentration in Bass Strait Shipping both in terms of its impact on Bass Strait Shipping and related effects for Tasmanian freight forwarding; and
- (c) concentration in certain aspects of land vehicle logistics including pre-delivery and inspection services.

These are areas where Toll believes it has further analysis and material which it can provide to the ACCC which will address those issues.

The ACCC has sought further information on the relationship between wharf cartage services and the broader landside logistics supply chain for international container freight. Market inquiries to date have not led the ACCC to form a view that there is a competition problem in this area and this is consistent with the position which Toll has maintained throughout. Toll currently has no significant operating interests in wharf cartage services and the structure of the contracting and operational relationships means that there is no ability or incentive to engage in foreclosure strategies.

Given the arbitrator's decision on 8 November 2005 there is no prospect of a break-up of Pacific National in the short to medium term.

There is already a process in place for further information to be provided to the ACCC and for further dialogue with the ACCC. Toll looks forward to working closely with the ACCC to constructively address these concerns and remains confident that all these concerns may be satisfactorily addressed and the benefits of the merger, in line with Toll's Bidder's Statement, can be realised whilst at the same time meeting the concerns of those who have raised questions.

Toll respects the ACCC's process and does not propose to comment further publicly on specific aspects of the ACCC's Statement of Issues.

1.1. Freight Forwarding and Rail Linehaul

This transaction is quite different from the Patrick/FCL proposal because it does not involve any aggregation of freight forwarding volumes.

The transaction does not effect any structural change to either rail linehaul or freight forwarding services.

Real opportunities exist for other freight forwarders to use carriers other than Pacific National, either by the expansion of existing operators or by entry from operators who currently focus their activities on other corridors such as QR (Queensland Rail) and ARG (Australian Railroad Group). The history of SCT Logistics' operations and the rail operations of TNT/Toll demonstrates that entry is viable and barriers are not as high as they may appear.

Any discrimination by a Toll-controlled Pacific National against other freight forwarders would be commercially risky, involving large potential downside with relatively small and uncertain upside.

1.2. Bass Strait Shipping

There is a history of robust competition on the Bass Strait shipping route and vigorous competitors would remain and would have strong incentives and the ability to maintain that robust competition.

There is a high level of excess capacity so that customers could readily switch to other operators who could satisfy that demand.

The major customers are powerful. They have substantial transport contracts on the mainland. They regularly tender contracts and competition for those contracts is fierce.

1.3. Autologistics

There will be strong and vigorous autologistics competitors post-merger such as TNT, PrixCar, Exel and K&S and there is an increasing presence of 4PLs (fourth party logistics), such as Exel, in this space.

2. OTHER NOTICES

2.1. Approval of Second Supplementary Bidder's Statement

This Second Supplementary Bidder's Statement has been approved by resolutions passed by all of the directors of Toll (other than Mr Lucas - see Section 15.2 of the Bidder's Statement).

2.2. Dated

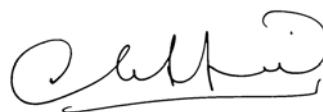
This Second Supplementary Bidder's Statement is dated 11 November 2005.

2.3. Signed

For and on behalf of Toll Holdings Limited.



Mr Paul Little
Managing Director
Toll Holdings Limited



Mr Neil Chatfield
Director
Toll Holdings Limited

A copy of this Second Supplementary Bidder's Statement was lodged with ASIC and sent to Patrick on 11 November 2005. Neither ASIC nor any of its officers takes any responsibility as to the contents of this Second Supplementary Bidder's Statement.

ANNEXURE A - ACCC STATEMENT OF ISSUES



10 November 2005

Statement of Issues—Toll Holdings Ltd’s proposed acquisition of Patrick Corporation Ltd

Background

1. Outlined below is the Statement of Issues released by the Australian Competition and Consumer Commission (‘ACCC’) in relation to the proposed acquisition of Patrick Corporation (‘Patrick’) by Toll Holdings (‘Toll’).
2. A Statement of Issues published by the ACCC is not a final decision about a proposed acquisition, but provides preliminary views, and draws attention to particular issues of varying degrees of competition concern, as well as on the lines of inquiry the ACCC wishes to undertake in the second phase of its merger assessment process.
3. This document provides an opportunity for all interested parties (including shareholders, the investing public generally and other stakeholders) to ascertain and consider the primary issues identified by the ACCC. It is also intended to provide both the parties to the proposed merger and other interested parties with the basis for making further submissions should they consider it necessary.

The transaction

4. On 22 August 2005 Toll announced its intention to make an offer for all the shares in Patrick that it did not already own. On 22 September 2005 Toll provided its submission seeking informal clearance from the ACCC under the ACCC’s Guidelines for Informal Merger Reviews (October 2004). The guidelines are available on the ACCC’s website: www.accc.gov.au.

The parties

5. Toll is a provider of transport and logistics services. Its activities include freight forwarding and/or line-haul services by road, rail, sea and air as well as integrated logistics and distribution services including specialised warehousing, port operations and refrigerated freight services. Its interests include:
 - 50% ownership of Pacific National (‘PN’) with Patrick;
 - freight forwarding and logistics services operating in various areas including the east-west corridor, the north-south corridor, Queensland, and other regional centres;
 - Bass Strait shipping, freight forwarding and logistics within Tasmania; and
 - autologistics for the car industry including Pre-Delivery Inspection (‘PDI’) services via an interest in Prixcar and vehicle transport logistics.

6. Patrick is a provider of transport and logistics services. Its interests include:
 - 50% ownership of PN with Toll;
 - operation of container port terminals in Melbourne, Sydney, Brisbane and Fremantle;
 - rail and road transport, freight forwarding and logistics services to/from container port terminals. In this regard, Patrick controls several inland port terminals from which it operates freight rail services;
 - Bass Strait shipping, freight forwarding and logistics within Tasmania;
 - autologistics for the car industry including PDI services and vehicle transport logistics; and
 - a majority interest in Virgin Blue.
7. PN, a 50:50 joint venture between Toll and Patrick, is one of Australia's largest rail companies. PN is the largest provider of interstate rail container line-haul services. Its interests also include rail line-haul in relation to coal and other bulk products and it operates the Tasmanian rail network, Tasrail.

Statement of Issues

With/Without Test

8. In assessing a merger pursuant to section 50 of the Trade Practices Act, the ACCC must consider the effects of the transaction by comparing the likely competitive environment post-merger if the transaction goes ahead (the "with" position) to the likely competitive environment post-merger if the transaction does not go ahead (the "without" position). In assessing this matter to date, the ACCC has noted that a dispute has arisen between Toll and Patrick in relation to the operations of PN, which could result in the breaking up of the joint venture into two separate entities controlled by Toll and Patrick independent of each other. Accordingly, this matter raises the issue of whether the "without" position should be that PN is likely to be split up into separate businesses if the merger does not proceed or if the "without" position should be that PN will remain a 50:50 joint venture between Toll and Patrick.
9. Although the ACCC considers that there is some potential for PN to be split up, for the purposes of this Statement of Issues the ACCC has identified competition issues on the basis of a "without" scenario which assumes that the PN joint venture will remain in place. The ACCC considers that, in a "without" scenario where PN is broken up, some of the competition concerns that the ACCC has regarding the merger would be exacerbated.¹ Accordingly, the ACCC considers the "without" scenario it has adopted to be the more conservative of the two approaches.
10. The ACCC seeks further views from industry as to whether a split up of PN is likely to occur in the short to medium term, and if so, whether the split up is likely to result in the formation of two vigorous competitors in the provision of rail line-haul services.

Toll's proposed undertakings

11. In general, the ACCC has a strong preference for undertakings that are structural in nature, rather than behavioural. Toll has proposed to the ACCC certain behavioural undertakings

¹ The rationale behind this is explained at paragraph 19.

relating to commitments by Toll not to discriminate in favour of Toll's freight forwarding or logistics operations. The ACCC considers these undertakings to be inadequate, impractical, and unacceptably difficult to enforce. If the ACCC were to accept undertakings from Toll regarding this merger, it is highly unlikely that it would find undertakings that are behavioural in nature acceptable. This comment is not to suggest that the ACCC has formed any view that structural undertakings are necessarily capable of satisfactorily addressing any of the issues set out in this Statement of Issues.

12. If the parties do seek to address any of the competition concerns raised by the ACCC by means of structural undertakings, the ACCC would expect that such proposed undertakings would be provided at an early stage of the second phase of the assessment, and certainly within the period outlined below for further submissions in response to this Statement of Issues. The ACCC would place any proposed undertakings on the ACCC's website (subject to any confidentiality limitations), so as to provide the opportunity for a further limited period of public consultation.

Issues

13. The ACCC has identified a number of competition issues in relation to the proposed transaction. These issues are divided into three categories: 'Issues of concern', 'Issues that may raise concerns requiring further analysis', and 'Issues unlikely to pose concerns'.

Issues of concern

14. The ACCC has formed a preliminary view regarding four aspects of the merger that it considers are likely to lead to a substantial lessening of competition in a relevant market.

Acquiring 100% ownership of PN may provide Toll with additional ability and incentive to engage in foreclosure strategies against rival freight forwarders via PN and is therefore likely to result in a substantial lessening of competition

15. If the acquisition proceeds, Toll will obtain full control of PN which may enable it to discriminate against rival freight forwarders through price or quality of service, or raise prices charged by PN to all freight forwarders. If PN is fully integrated with Toll, increasing prices to all freight forwarders will not affect the profitability of the Toll group as a whole, but may provide a competitive disadvantage for its rival freight forwarders.
16. Without the acquisition, if PN continues to be jointly owned by Toll and Patrick, then Patrick's presence in the joint venture may constrain PN from engaging in foreclosure strategies, as Patrick may not have a strong incentive to permit PN to engage in such strategies in the reasonably foreseeable future.
17. The ACCC considers the relevant product markets are rail line-haul between the eastern States and Perth, and rail freight forwarding between the eastern States and Perth.
18. In identifying this competitive concern, key factors include:
 - Barriers to entry or expansion to competitors, particularly in relation to competing in east-west rail line-haul (linking Perth to Melbourne and/or Sydney) appear to be high. Factors contributing towards high barriers to entry or expansion include a combination of availability of competitive train paths, terminals, locomotives and wagons, the need to provide a daily service and obtaining a sufficient customer base. In this regard, the ACCC is closely examining a number of matters including:

Toll Holdings' proposed acquisition of Patrick Corporation

- a. the potential for development of new terminals in appropriate locations or expansion of existing terminal capacity to provide competitive line-haul services;
 - b. the impact of "use it or lose it" principles in track access undertaking arrangements when applied in practice;
 - c. the availability of second hand or leased locomotives and wagons within a reasonable timeframe; and
 - d. the importance of daily services to customer demand and to service providers in achieving a return on capital.
- The impact of any foreclosure strategy on prices, service quality or innovation. In particular, the ACCC is examining whether the net impact of Toll's 100% ownership of PN is likely to lead to significant increases in prices or reductions in service quality, or restrict dynamic or innovative developments in the provision of freight forwarding services.
19. On the basis of a "without" position that envisages the break up of PN, this issue could be exacerbated. Absent the merger, PN may have been split up, and Patrick may have developed as an independent rail line-haul service provider in direct competition with Toll. In particular, in this scenario:
- As outlined at paragraph 18, the ACCC considers that barriers to entry in this area may be high due to issues including access to terminals, locomotives and wagons, and train paths. In this regard, the removal of Patrick as a potential competitor through its acquisition by Toll would be significant as an independent Patrick would not face such significant difficulties in obtaining access to these assets.
 - As Patrick is not a significant user of PN's services at present, it would have the incentive and ability to encourage other freight forwarders to use its service if Toll were to attempt to engage in foreclosure strategies against them. This may have had an additional pro-competitive effect in the industry beyond the constraining influence Patrick currently has within the PN joint venture.

The acquisition of Patrick's Bass Strait shipping business may reduce competition in the provision of Bass Strait shipping services and is therefore likely to result in a substantial lessening of competition

20. If the acquisition proceeds, the combined entity will obtain a large presence in the provision of Bass Strait shipping services.
21. If the acquisition does not proceed, Toll and Patrick will remain competitors in the provision of Bass Strait shipping services.
22. The ACCC considers the relevant product market to be the market for Bass Strait shipping services between Melbourne and the northern ports of Tasmania.
23. In identifying this competition concern, key factors include the following:
 - The merger will reduce the number of current service providers from 4 to 3;
 - Remaining competitors may not have sufficient capacity to significantly constrain the exercise of market power by the combined entity. In this regard, the Commission notes that capacity constraints may vary between seasons;

- Some competitors do not offer daily or 6 day a week services for customers which may reduce their competitiveness; and
- Barriers to entry and/or expansion appear to be significant due to a combination of factors including terminal availability at some ports, significant costs of development, and the presence of large over-capacity of Toll's vessels which provides a significant disincentive for new entry or expansion.

24. In assessing this issue, the ACCC is also investigating whether end-use customers have any degree of countervailing power against the combined entity post-merger by virtue of other business they may do with the combined entity. That is, whether end-use customers can successfully exercise countervailing power in relation to Bass Strait shipping by threatening to divert their business to another competitor.

The acquisition of Patrick's Bass Strait shipping business may reduce competition in the provision of freight forwarding services related to Tasmania and is therefore likely to result in a substantial lessening of competition

25. If the acquisition proceeds, the combined entity will increase its significant presence in freight forwarding in relation to Tasmania. Further, as outlined above, the combined entity will increase its combined presence in the provision of Bass Strait shipping services. Post merger, the combined entity is likely to have the incentive and ability to engage in foreclosure strategies in relation to the provision of Bass Strait shipping services to disadvantage its competitors in freight forwarding.
26. If the acquisition does not proceed, Toll and Patrick will remain vertically integrated competitors in the provision of freight forwarding services in relation to Tasmania and Bass Strait shipping services.
27. The ACCC considers that the relevant market is the market for freight forwarding services in Tasmania and between Tasmania and mainland Australia.
28. In identifying this competition concern, key factors include the following:
- Decreased competition in relation to Bass Strait shipping services together with high barriers to entry (as outlined above) may provide the combined entity with the ability and incentive to discriminate against other freight forwarders in terms of price or quality of service, or raise prices charged by the combined entity to all freight forwarders. Such increased prices will not affect the profitability of the Toll group as a whole, but may provide a competitive disadvantage for its rival freight forwarders.
 - Although Toll and Patrick are already vertically integrated entities, they do not appear to discriminate against other freight forwarders to a significant extent at present.
29. Engaging in foreclosure strategies in relation to freight forwarding may increase barriers to entry or expansion in Bass Strait shipping further by reducing available contestable volumes for new or expanded Bass Strait shipping.

The acquisition of Patrick's autologistics business is likely to reduce competition in relation to land vehicle logistics and Pre-Delivery Inspection (PDI) services and therefore is likely to result in a substantial lessening of competition

30. At this stage, the ACCC has identified several competition concerns in relation to automotive logistics, including the following.

31. If the acquisition proceeds, the merged entity will have a large share of land vehicle logistics services. Presently both Toll and Patrick are significant providers of land vehicle transport services. Toll is typically stronger in relation to the transportation of domestic vehicles, and Patrick is typically stronger in relation to the transportation of imported vehicles.
32. Barriers to entry and expansion for potential rivals to the merged firm's transportation operations are likely to be significant for the following reasons:
 - The ACCC considers that currently barriers to entry are high due to the investment required to be undertaken in specialised equipment.
 - The ACCC notes that currently Toll and Patrick own and operate a fleet of car carrying vehicles and equipment of sufficient size and scale to meet the demands of large car companies.
 - The ACCC believes that it may be difficult for a smaller rival vehicle transportation company to undertake significant investment to increase its fleet to a comparable size due to the short term nature of transport distribution contracts.
33. If the acquisition proceeds, it may increase the barriers to entry for potential non-vertically integrated land transport operators and/or PDI operators. In this context, there appeared to be a tendency for car companies to rationalise their service providers and take advantage of a 'one-stop shop' service provider.
34. If the acquisition proceeds, it may reduce the ability for current rivals and potential rivals for PDI services to arrange transportation contracts of sufficient size.
 - Currently there are two large car carrying companies able to provide the transportation requirements of PDI operators.
 - Post acquisition, there would be one large car carrying company with its interests aligned with its own PDI operations.
 - The merged firm is likely to be in a position to not provide transportation requirements to non-related PDI operators. This may reduce the competitiveness of these competing firms.
35. The ACCC notes the possibility that Toll may divest itself of its interest in Prixcar if this proposed acquisition goes ahead. While the competition concerns about this aspect of the acquisition are broader than the holding of the interest in Prixcar, the ACCC will be seeking further information on whether and the extent to which competition concerns are resolved by such a divestiture, and in particular whether, if Toll were to divest its interest in Prixcar, there would still be significant concerns in relation to land vehicle logistics.

Issues that may raise concerns requiring further analysis

36. The ACCC has identified the following further concern in relation to the transaction on which it has not yet received sufficient information to enable it to form a preliminary view as to whether there is likely to be a substantial lessening of competition in a relevant market. The ACCC seeks to explore this issue further in order to either verify or dismiss the concern.

Whether acquiring Patrick is likely to raise competition issues in relation to wharf cartage services and the broader landside logistics supply chain for international container freight

37. On this issue, the ACCC is seeking further information regarding a number of issues including:

- The extent to which Patrick and Toll are significant competitors to each other in relation to wharf cartage services and the broader landside logistics supply chain for international container freight;
- Whether Patrick's involvement in stevedoring services and control of port terminals associated with those services provides it with the ability and/or incentive to discriminate against, or engage in other foreclosure strategies against competing providers of wharf cartage services and the broader landside logistics supply chain for international container freight;
- Whether the combination of Patrick's and Toll's interests would significantly increase the degree of vertical integration of the combined entity in relation to the landside logistics supply chain for international container freight;
- Whether the merger would significantly increase the incentive or ability of the combined entity to engage in foreclosure strategies in relation to wharf cartage services and/or the broader landside logistics supply chain for international container freight;
- Whether engaging in foreclosure strategies would be likely to impact on the efficiency of stevedoring operations, and whether shipping lines would therefore be likely to exert a constraining influence on the combined entity's incentive to engage in such strategies;
- Whether other strong competitors could emerge with a similar degree of vertical integration along the landside logistics supply chain for international container freight;
- Whether customers require an integrated landside logistics supply chain service, or prefer to "cherry pick" different service providers for different aspects of the supply chain; and
- Whether concerns that the ability to offer a lower priced service for an integrated landside logistics supply chain service may disadvantage competitors would ultimately lead to any consumer detriment.

Issues unlikely to pose competition concerns

38. The ACCC considers the following issue is unlikely to pose substantial competition concerns, but will accept further submissions from market participants if it considers further exploration of this issue is warranted.

Whether acquiring Patrick could raise competition issues in relation to the provision of third-party logistics

39. In the course of market enquiries the ACCC has noted some concerns that as a result of the acquisition of Patrick, Toll is likely to become significantly larger than other competitors by virtue of its presence in a number of supply chains – particularly east-west rail line-haul services and landside logistics services for international container freight. This could raise portfolio effects issues. That is, whether the combined entity could leverage off its presence in some areas to disadvantage rivals in other areas.

40. At this time, the ACCC considers it unlikely that this issue would pose substantial competition concerns (other than in relation to the issues of concern already discussed above). However, if market participants wish to provide further information on this issue, the ACCC will consider it further. Information of relevance to this issue could include:
- The extent to which Patrick and Toll are considered to compete against each other in the provision of third party national logistics;
 - Whether the combination of Patrick's and Toll's interests along and across a number of logistics supply chains will provide it with significant market advantages that will lead to anti-competitive detriment rather than pro-competitive outcomes;
 - Whether there are other strong competitors in this area, or if strong competitors are likely to emerge in this area with a similar presence along and across logistics supply chains;
 - Whether customers require a single logistics provider for each element of a supply chain and across supply chains, or prefer to "cherry pick" different service providers for different aspects of their business;
 - Whether concerns that the ability to offer a lower priced service for a bundled logistics service may disadvantage other competitors and would ultimately lead to any consumer detriment; and
 - Whether, if a "without" position that envisaged that PN is likely to split up were adopted, the competitive issues associated with third-party logistics would be exacerbated. That is, if absent the merger, Patrick would have been likely to become an independent competitor in relation to interstate line-haul that would have enabled it to become a strong independent competitor in relation to third-party logistics.

ACCC's Future Steps

41. The ACCC will finalise its decision on this matter after it considers further market responses invited by this Statement of Issues.
42. The ACCC now seeks submissions from market participants on each of the issues that have been raised in this Statement of Issues not limited to but including the competition issues raised above and any other matter that may be relevant to the ACCC's assessment of the matter.
43. Submissions are to be received by the ACCC by no later than 25 November 2005. The ACCC will consider the submissions received from the market including submissions from the acquirer and target in light of the issues it has identified and, in conjunction with information and submissions provided by the parties, make a final decision as to an appropriate course of action to take to resolve any competition concerns that have been identified.
44. The Commission intends to make public its decision by 21 December 2005. A public Competition Assessment for the purpose of explaining the ACCC's decision will be published on the ACCC website in due course.