BHPB bids for Rio - Review delays spark talk of Plan B

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Analysts call it Plan B the fallback option for BHP Billiton and Rio Tinto if competition regulators block their AUD 116 billion iron ore production joint venture.

While the companies said that they are focused on the joint venture, that has not stopped BHP's top executives from touting the benefits of an agreement BHP and Rio Tinto reached with the state of Western Australia in June to lift restrictions on them sharing rail and port facilities and blending iron ore.

The key question is how closely that new flexibility, or Plan B, can match the deal's holy grail, the AUD 10 billion in savings that BHP and Rio expect to achieve by combining their iron ore operations in Western Australia's Pilbara region.

Further delays by global competition regulators in assessing the proposed joint venture have fuelled talk about gains the companies could make without it.

In the best case, they could snare a large portion of the savings, but it won't be as easy as under a joint venture because rail access, port access or iron ore blending terms would all need to be negotiated piecemeal.

Mr Warren Edney RBS analyst said that "Is it going to be a complete disaster if the joint venture falls over? Not really.'' But don't ask BHP or Rio about the benefits of Plan B. They remain intent on receiving approval from regulators in Australia, Europe, Japan and elsewhere for their joint venture plan, seven months after it was submitted.

Ms Amanda Buckley a BHP Billiton spokeswoman said that "We're fully committed to the joint venture was all that “

In meetings late last week, Mr Marius Kloppers CEO of BHP Mr Alex Vanselow CFO told sell-side analysts in Melbourne and London that substantial savings could be achieved through sharing infrastructure and blending mixing their ore before export to provide the most saleable product.

(Sourced from Reuters)