



Australia only manages to recover approximately 13% of office papers for reprocessing, while in the USA it is closer to 51%. Are policy makers in Australia placing too much emphasis on the supply chain, including paper merchants, to increase the recovery rate? *IndustryEdge* spoke with Bob Johnson, Executive Director (pictured) of the National Association for Information Destruction in the USA, to assess the consequences of enforced information destruction for the recovered paper industry.

SPICERS PUSHING FOR REALISTIC PRICING

On the 24th July, Brian Longmore, General Manager Spicers Paper, announced there would be price increases in the vicinity of 3% to 4% for uncoated woodfrees (UCWF) sold to printers.

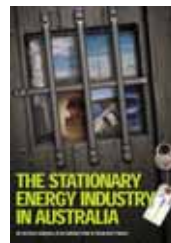
At the time, the announcement attracted most criticism, not from printers as would be expected, but from other merchants and mill agents who claimed the rise was not big enough. However, the increase will need the support of all merchants and agents to ensure it maintains traction.

Longmore has told *IndustryEdge* the price increases for UCWF will take effect from 4th September and will be passed on to all printers. The only exceptions will be for those printers with contracts for supply at a set price over a period of time.

The extent of the price increase is between 3% and 4% over the range of Spicers UCWF products.

While there have been some negative comments by printers, Longmore says that generally the response by them has been understanding and accepting of the need for prices to rise.

A difficulty faced by Spicers, and other merchants for these grades, is that only a limited quantity of UCWF comes from Europe where many mills have already started putting up prices. The major supply regions for Australia are domestic by Australian Paper themselves, and from Asia. Therefore, while increases in Australian manufacturing costs need to be passed on, there is always the threat to price increases from cheap imports from Asia. The result of this 'threat' to the local producer is that



The Stationary Energy Market in Australia

Businesses throughout Australia are struggling with rising transport energy prices, but it is apparent that prices for stationary energy (electricity and gas) are also considerably higher than they need to be, for a variety of reasons.

The Stationary Energy Market in Australia analyses this AUD20 bn industry, and not only provides reasons as to why stationary energy costs are so high, but makes definite recommendations as to what needs to be done to reduce them.

The Stationary Energy Market in Australia is a valuable resource for business because it provides a detailed analysis of the structure and the dynamics of the industry and an abundance of ammunition for lobbying for stationary energy reform.

Further details about *The Stationary Energy Market in Australia* may be found on the *IndustryEdge* web site at www.industryedge.com.au or by contacting Robert Eastment on 61 [0] 3 6224 7166.

buyers have become sensitive to price increases, and Spicers are cognisant of this when announcing them.

However, *IndustryEdge* has the view that while PaperlinX merchants are aware of this difficulty, they are now in the position of having to pass on supply cost increases as there is no opportunity to internalise the rises.

With the expansion of the PaperlinX Merchating business to be a global operation, there have been a number of strategy announcements to take costs out of the business. To a large extent this has assisted PaperlinX during a period of stagnant paper prices, however, cost reduction strategies are expected to be continued, so if there are forced price increases from outside the Merchating business, these are now expected to be passed on.

For price rises on UCWF other than to printers, the recently formed PaperlinX Office Business has also announced price increases on office papers.

With regards to coated woodfrees (CWF) price increases, Longmore says the structure of imports is different in that many CWF grades are still sourced from Europe, even though there are increasing shipments from Asia. The European suppliers have started to push through increases of their own, but in the Australian market there is a similar threat to price increases flowing through to buyers because of lower priced imports from Asia.

In recent years the Asian suppliers have been aggressive in building shipments into Australia, and as a result many merchants and mills have now reached a point where they are generating unacceptable returns from CWF grades. For many Asian mills, energy and pulp price increases have now made margins also impossibly small for them, which is likely to bring some rational pricing to markets such as Australia.

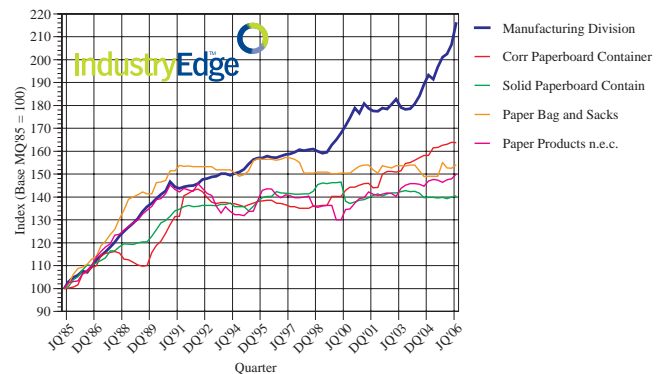
Longmore expects price increases for CWF to be introduced in the local market from late September to early October, with a rise of close to 4%. While many will certainly argue the increase should be higher, the reality is that once again the buyers have become sensitive to price increases because Asian imports have always been a moderator. This time the approach is expected to be a few small increases over time, rather than attempting a single leap which would carry a greater chance of failure.

PPI SHOWS SIGNIFICANT VARIANCE

The June quarter update to the Producer Price Index (PPI) shows there has been a very significant rise in the PPI for All Manufacturing Divisions, much sharper than the PPI for fibre packaging codes.

During financial year 2005/06, the PPI for All Manufacturing Divisions increased by 9.9%, driven significantly by higher energy costs. Approximately half of the rise was made over the first three quarters of the year, however, for the June quarter 2006 alone, the index rose by 4.7%.

Packaging Prices vs ANZIC (All Groups) MQ'85 - JQ'06: Index (Base MQ'85 = 100)



Source: ABS

Between MQ'01 to MQ'04 the PPI for All Manufacturing Divisions remained reasonably stable, with the result being the index was approximately the same at the end of the period as it was at the start. However, since MQ'04 the trend has been to rise strongly, with the exception of MQ'05 when there was a 0.9% drop. Over the ten quarters since MQ'04, the PPI for All Manufacturing Division has jumped by almost 20%.

In comparison, the ABS data for all four fibre paper and paperboard categories (Corrugated paperboard containers, Solid paperboard containers, Paper bags and sacks, and Paper products not elsewhere classified) show PPIs that are surprisingly flat given the performance of the All Manufacturing Index.

Starting from the bottom, the PPI for Solid Paperboard Containers (cartonboard) has actually fallen by 0.8% since MQ'04, suggesting there have been significant reduction in producer costs in comparison to the All Manufacturing Division.

The PPI for Paper Bags and Sacks has risen by only 2.7% over the ten quarters, with the rises for Paper Products n.e.c. and Corrugated Containers rising by 4.4% and 4.7% respectively. Both of these are less than a quarter of the 20% rise in the All Manufacturing Division over the same period.

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Secure Information Destruction

Background

The lead being shown by the NSW and Victorian government in reducing the quantity of office papers going to landfill is recognised, or at least the theory is, but in practical terms it will be difficult to change the current collect and dump mentality shown by industry.

In 2005, the apparent consumption of cut reams alone was almost a quarter of a million tonnes. Estimations about how much of this is recycled vary considerably, however most attempts to provide data conclude that between 13% and 15% of all office paper is being recovered and reprocessed successfully.

It is acknowledged there is approximately 6% of office papers going into archives, however, the concern is that more than 200 ktpa of cut reams, which is a valuable fibre source, is not being recycled to sorted office papers (recovered paper grade). Total apparent consumption of printing and communication grades is approximately 1 450 Mtpa, with more than 50% of this potentially being available for collection from commercial premises if recovery rates can be dramatically improved.

Strategies for encouraging responsibility for collecting and reprocessing of this material has initially encouraged participation from the manufacturers and merchants supplying the office papers. This is not a new approach and has been well documented by the NSW government with its strategy for Extended Producer Responsibility (EPR). The Victorian government has taken a broader approach by encouraging participation from all stakeholders, and has been termed Product Stewardship.

However, the reality is that the information on the paper is unquestionably more valuable than the paper itself, so shouldn't the emphasis be on the user rather than the supplier?

In Europe and North America, the consumer must increasingly take responsibility for disposing of the information correctly, as well as the paper.

With regards to Australia, from the Office of the Privacy Commissioner, the National Privacy Principles (Extracted from the Privacy Amendment (Private Sector) Act 2000) Section 4 states:

4. Data Security

4.1 An organisation must take reasonable steps to protect the personal information it holds from misuse and loss and from unauthorised access, modification and disclosure.

4.2 An organisation must take reasonable steps to destroy or permanently de-identify personal information if it is no longer needed for any purpose for which the information may be used or disclosed under National Privacy Principal 2.

In short, it comes down to companies having to take reasonable steps to destroy information, and there is no code of conduct or certification as to how this should be done. As a result, much of the base medium (paper) upon which it is printed is disposed of in the cheapest manner. Companies in the paper supply chain are the ones in the cross hairs to fix the problem in the future if too much office paper continues to head to landfill.

No Need to Reinvent the Wheel

If there were greater controls in the disposal of information in a structured and certified process, then by reason there would be a significant increase in the quantity of clean white paper for recycling.

Rather than formulating a strategy from scratch, in this instance it is worthwhile looking to the achievements of the National Association of Information Destruction (NAID) in the USA. Bob Johnson is the Executive Director, and *IndustryEdge* discussed with him the process and achievements accomplished by NAID.

NAID was developed as a consequence of a number of meetings between companies with sensitive information for destruction and secure shredding companies wishing to keep 'cowboys' out of the information destruction industry.

In 1994, NAID was incorporated as a non-profit trade association.

The two major missions of the association are:

- To educate government and business of the need to destroy discarded information, and
- That this is best done by an outside qualified contractor.

NAID also undertakes the important role of providing advice on current legislation regarding information destruction and other issues of the day, especially from a marketing perspective, being faced by the industry.

This is significant in that unfortunately in the USA there is no uniform legislation for information destruction applied across all industries. Instead there are separate standards and laws applying to a range of industries. These include:

HIPAA – Health Insurance Portability and Accountability Act

Gramm/Leach/Bliley – Financial Services Modernisation Act

Privacy Acts

Economic Espionage Act

Trade Secret Protection

I.D. Theft Laws

Implied Contract Breach Laws

Fair and Accurate Credit Transaction Act (FACTA). This is a new US federal law designed to reduce risk of fraud and identity theft.

The type of information that should be destroyed is extensive to avoid either direct or conditional violation. The list includes obvious items such as accounting, banking and medical records etc, but there are many less obvious inclusions such as visitor records, phone message slips and education records. The matrix between the various laws and acts in one direction and the multiple types of information covered by one or more of the laws and acts in the other direction makes for bewildering compliance requirements by companies.

The success of NAID in the USA has resulted in Johnson providing policy development advice in the USA, Canada and Europe. He is also pleased that in the recent writing of the FACTA Information Destruction Regulation, the US Federal Trade Commission referenced and endorsed the work by NAID.

The British Standards Institute has also invited NAID to

participate on a committee to set standards for secure shredding firms operating in the UK.

The American System is Not Perfect

As stated, one of the reasons for the existence of NAID is the confusing approach being taken by the US legislators towards information destruction. Without labouring the point, the compartmentalised approach in the US has been focused on laws that do not specify discarded information should be destroyed, but rather that information discarded or not should be protected at all times.

The end results have been a growing mixture of information protection legislation that has left the overwhelming majority of big and small US businesses confused. At the time of writing, twelve US states have now passed their own comprehensive information destruction laws, which as a result have increased shredding and produced greater quantities of clean office wastepaper.

Johnson told *IndustryEdge* there are approximately six drafts of future legislation that will more pointedly and comprehensively require the destruction of discarded personal information. One of them is expected to emerge as a new federal regulation in 2007.

Regardless of the faults in the legislative system in the USA, there is another factor which should make the industry in Australia take note, and that is while Australia is managing a recovery rate of office papers of approximately 13%, in the USA the rate is 51%. There is no doubt information destruction laws have greatly assisted in this achievement.

The Importance of Compliance

While the theory of increased shredding is good for those interested in improving the waste stream and keeping office papers out of landfill, there is a practical problem of who does the work.

The initial thought by *IndustryEdge* is that companies would be inclined to do much of shredding themselves. However, Johnson said that employees are responsible for a significant proportion of corporate theft, and therefore staff should not have access to documents for destruction. The issue is especially pertinent for payroll and other human resource documents where staff will have an interest in the terms and conditions for others.

Johnson adds that often the shredding facilities most companies have are woefully inadequate to meet their needs. The shredders

are usually slow and either jam or breakdown on a regular basis. This is made worse since shredding is a task that is not done regularly, and therefore the backlog of documents to be destroyed become unmanageable.



Source: NAID

Outsourcing shredding operations is the most secure and cost effective way, Johnson believes, however, there is an inherent high risk in providing company records to a third party. NAID provides certification to information destruction companies that meet set criteria. The idea is to make it hard for lone operators to claim they undertake secure information destruction, but the reality may be far from their claims.

NAID has successfully linked the term 'compliance' with 'information protection'. The goal has been to make consumers aware they will be judged by the due diligence they put into the process of vetting outsourced information destruction services, especially when something bad happens.

Johnson said that NAID member firms, and especially those that are certified, make membership and certification a point of distinction. They want companies seeking information destruction services to ask potential service suppliers if they are certified by NAID. NAID's mission is to advance the standards of the information destruction industry, and if a firm is not part of the organisation then he wants clients to ask why the potential supplier of secure shredding is not part of, or supports, NAID.

An important part of compliance leading to and maintaining certification by NAID is that firms have adequate insurance. Johnson states that if customers know what they are doing, then they will ensure shredding service suppliers have public

liability insurance. However, members of NAID have access to the only Errors and Omissions policy that covers the information destruction industry in the USA adequately.

The best protection a client can have is to thoroughly document that they appropriately screened a vendor. Even though the client can contract away their responsibility to protect information, compliance only requires reasonable measures to be taken. Proper vetting of contractors would be considered a reasonable measure.

Changes Achieved

IndustryEdge asked Johnson what changes to the level of office wastepaper being recovered had been achieved since legislation was developed requiring information destruction.

Johnson reported that five years ago wastepaper buyers were largely ignoring the shredding industry in the USA. In 2006, however, he knows that some wastepaper buyers are now sourcing as much as 80% of their material from shredding companies. He believes that some buyers are working on the strategy that by 2010, 100% of their material will come from shredding companies.

The result is that in states where there are specific information destruction laws for many industries, and backed up by more general federal laws, there has been a sharp decrease in office waste going to landfill, and a corresponding jump in sorted office papers being recovered.

It is interesting that Johnson reports that small to medium size offices are driving the change. Previously, there was no economic incentive for this size of office to have a recycling service to pick up the relatively small quantities of waste office paper they accumulated over any period of time. This all changed when the issue became the data on the paper rather than the paper itself.

He is aware of many instances where firms would not pay for recycling services but are reasonably content to pay for information destruction as compliance to relevant laws.

In the US, 50% of sorted office paper is now generated by small to medium offices. In simple terms, Johnson confirms that if office waste is classified as needing destruction, then the fibre can be recovered. However, when classified as wastepaper it is sent to landfill.

Legislated Versus Voluntary Change

The increase in the volume of sorted office papers recovered in the USA has come about as a consequence of more stringent information destruction laws protecting consumers. The security laws were not intended to, and have not been influenced by, increasing demand for sorted office wastepapers.



Source: NAID

While the above statement may be stating the obvious, it does provide some direction in where the government has a part to play.

Australian governments at both the federal and state levels have responsibilities to protect consumers, and the indications are that unless mandated in legislation many firms do not undertake reasonable steps to protect personal information they hold. Therefore it is necessary for government to take direct action with regards to ensuring the security of personal information.

The other part of the equation is whether federal or state governments should be mandating the certification process for secure shredding firms. Johnson's opinion on this matter is that it is probably best left to the industry to set up a proactive and voluntary system for certification, however, if any government wants to step in then he believes NAID will have a critical role in advising the government on what should be required.

In Australia and New Zealand there has been no political will shown yet in developing more stringent laws regarding the security of personal information by firms. However, if such laws were to be legislated, then as a consequence there would be a sharp rise in the quantity of sorted office papers available for recovery.

In the absence of the laws changing, and following through on the concept of encouraging users of office papers to recycle rather than focusing on suppliers through extended producer responsibilities, an interim solution would be to place a small levy on office papers to pay for collection services.

Conclusion

The level of office papers being recovered remains extremely low in Australia, even though there is voluntary action being taken by industry associations. Governments at all levels and industry must continue to support each other to improve recovery rates.

Evidence from the USA, where there is much greater concern about personal security, shows information destruction has resulted in a marked increase in the proportion of sorted office paper being recovered. Users are more willing to pay for information destruction if there is legislation driving security compliance than undertake any proactive recycling, especially if there is a cost involved.

If the current requirement for firms in Australia to take 'reasonable steps' to ensure the security of personal information is replaced by certified shredding companies assisting firms to meet security legislation, then one of the consequences will be a dramatic fall in sorted office paper ending up in landfill.

There will be greater success if the onus for increasing the volume of recovered paper is on all stakeholders, especially the user.

There are plans for an Australasian conference on information destruction to be held in one of the capital cities on the eastern seaboard in February 2007. Bob Johnson, Executive Director NAID, is likely to be the keynote speaker. A working group comprising representatives from paper supply and recovery industries, secure shredding companies and governments from Australia and New Zealand are scheduled to meet in Sydney on 16th October 2006, to start planning for the conference next year.

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With the PPI for Corrugating Materials attracting considerable attention over the last eighteen months, the available PPI data indicates there has been a slow but steady increase for this index since JQ'03. Over this period the Corrugating Materials PPI has risen at an average quarterly rate of 0.65%. In JQ'06 the index actually fell by 0.05%.

The PPI for the four fibre packaging categories have risen well behind the All Manufacturing Divisions over the last two and a half years, while the manufacturing operations for these grades would have faced many of the same input cost increases of labour, energy and materials. The analysis of the variance in the PPI for the grades would infer there have been input cost reductions found, or offset, by the manufacturers of the fibre packaging categories.

Part of this could be from manufacturing upgrades, by companies still investing to achieve greater efficiencies, or from recycled fibre supply input costs falling below export parity.

The variation in the rate of growth in the PPI between the All Manufacturing Industries and the four fibre packaging grades has now become significant.

AMCOR DENIES RUMOUR

A report appeared on Melbourne Radio 3AW's Rumour File on 8th August with a caller claiming that Amcor intends to close the Fairfield Recycling Mill.

Amcor has advised IndustryEdge that there are no current plans to close the Fairfield mill. The spokesman said he was not aware of where the rumour had come from and that it was business as usual at Fairfield.

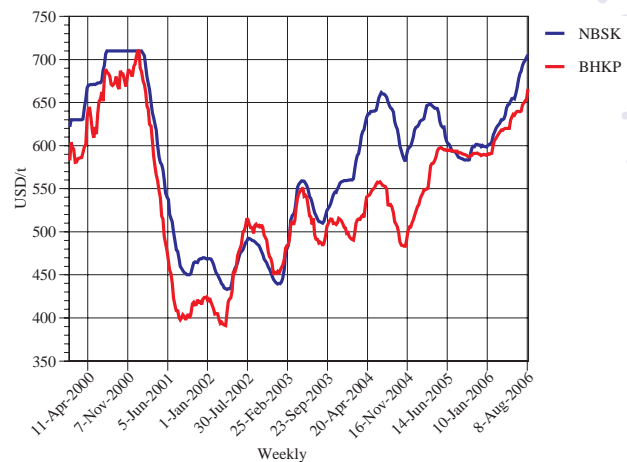
NO PANIC YET FOR PULP

The NBSK PIX price plateaued at USD710.00/t back in 2000, after a period of panic buying. At the start of August 2006 the NBSK PIX price reached USD702.46/t, however, this time, buying appears to be more orderly with some buyers trying to resist the price increases.

July and August are historically quiet periods in the northern hemisphere due to the summer holiday period. However, even

though the scenario could have been buyers wanting to build inventories before the holiday period, it appears that even though supply is getting tighter, there has been no panic buying.

Weekly NBSK & BHKP PIX Prices: 4 Jan '00 – 8 Aug '06 (USD/t)



Source: FOEX

NBSK PIX prices have continued to rise faster than BHKP PIX, being driven by the north American mills closures, resulting in a differential in August of just over USD50/t between the two grades. This gap in pricing is significant in that a USD50/t differential is usually a trigger to make some swing mills, which are traditionally NBSK buyers, think about changing to hardwood pulp.

Prices for both NBSK and BHKP are expected to rise further, with continued strong demand though the northern hemisphere holiday season.

The closure of some of the North American mills has meant their customers are now seeking pulp supplies from mills that are still operating. However, these mills in turn have long-term contracts with their own clients resulting in pulpmill stocks falling reasonably sharply. Softwood kraft pulp stocks are reduced to 25 days, while for hardwood kraft it is slightly better at 33 days. The average level of stock between the grades is 28 days, which is the lowest level since the panic buying in 2000.

The relief for pulp buyers will eventually come in the form of the commissioning of Arauco's 856 ktpa Nueva mill (Radiata and BEK) and CMPC's 780 ktpa Santa Fe mill (BEK), both in Chile, in the 3Q'06. However, the start up for both mills has been delayed by approximately a month. In addition, it is now anticipated Buchanan Forest Products will reopen the Terrace

Bay (Ontario, Canada) mill it purchased from Neenah Paper. This mill has a capacity of 350 ktpa (NBSK) and was closed by Neenah in February 2006. Buchanan Forest Products initially planned to reopen the mill in August or September, but this is also believed to have slipped back a month.

The opening of the two BEK mills in Chile, and the restart of the Canadian mill are not expected to have a significant impact on global pulp prices while they are in the start up mode for the rest of 2006. By the first quarter 2007, though, the mills are anticipated to be in full operation which will ease the current pulp supply limitations.

Strong pulp prices are expected to last for at least the third quarter 2006, and possibly into the fourth quarter. Two reasons are that August to October is seasonally a period of stronger demand for paper and paperboard, and, especially in the USA, the weaker housing market is forcing many sawmills to cut back on production of sawn wood, resulting in reduced supply of wood chips to pulpmills.

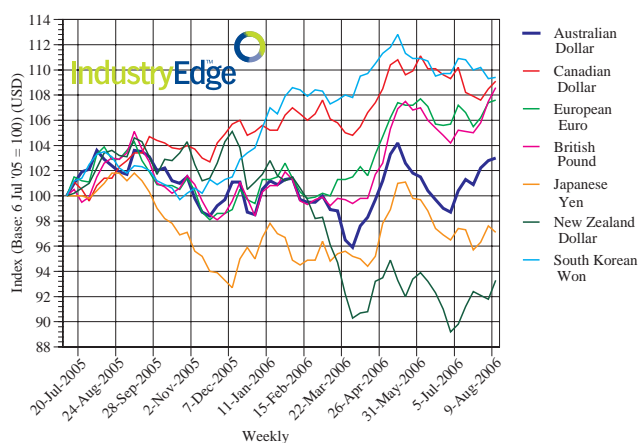
The following table shows the pulp capacity decommissioned in North America in 2005 and 2006, including confirmed future closures for this year.

North American Pulpmill Closures 2005 & 2006 (ktpa)

Company/Mill	Grade	Effective Date	ktpa
Domtar Inc. Cornwall, Ont	NBHK	Jan 2005	130
Neenah Paper Terrace Bay, Ont	BHK	May 2005	125
SAPPI Muskegan, Mich	BHK	Sep 2005	100
Wausau Paper Brokaw, Wise	Sulphite	Q4'05	80
Domtar Inc Label-sur-Quevillon, Que	NBSK	Nov 2005	290
Western Pulp Squamish, B.C	NBSK	Feb 2006	350
Neenah Paper Terrace Bay, Ont.	NBSK	Feb 2006	350
Georgia-Pacific Old Town, Marine	BHK	Mar 2006	190
Fraser Papers Berlin, NH.	NBHK	Apr 2006	230
Bowater Inc. Thunderbay, Ont.	NBSK/BHK	May 2006	210
Cacades Inc. (FjordCell) Jonquiere, Que	NBSK	Jul 2006	82
Tembec Inc. Smooth Rock Falls, Ont.	NBSK	Jul 2006	200
Weyerhaeuser Co. Prince Albert, Sask	NBSK/BHK	Spring 2006	355
Weyerhaeuser Co. Prince Albert, Sask	Dissolving	2H 2006	140
West Fraser Hinton, Alberta	NBSK	Q4'06	70

Source: TerraChoice Market Services Inc.

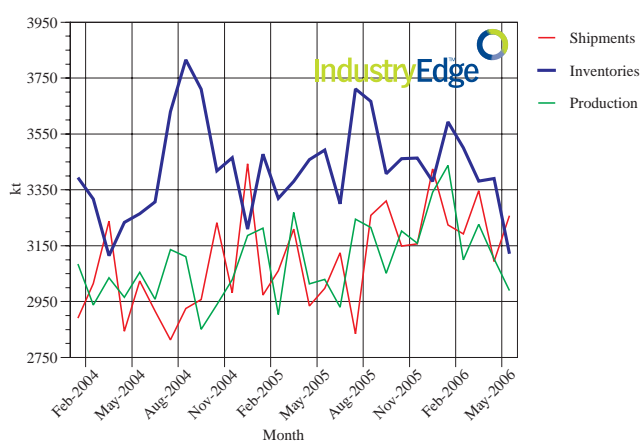
Main Trading Currencies: 6 Jul '05 - 9 Aug '06



Source: Uni of BC

The AUD has risen by more than 4% against the USD since the start of July, however, the NZD and GBP have risen at slightly faster rates. Over the same period the EUR has also picked up. However, in Asia, the JPY and KRW have fallen against both the USD and AUD, favouring exports from these Asian countries.

World-19 Producers: Jan '04 - May '06 (kt)



Source: Pulpwatch & IndustryEdge estimates

World-19 data for May shows inventories at their lowest level for more than three years. The strong downward trend of the production line is confirmation the capacity closures in North America are impacting World-19 pulp availability. Price rises are being driven by the fall in production and inventories.

With rising pulp prices, the influence of the Chinese pulp traders on international prices has diminished. With an increasing short supply, the Chinese buyers have become price takers. The price rise from their previously obtained discount prices to the current market prices is likely to be the most significant increase over the last few months for any country.

The rise in pulp prices will be very hard for Chinese paper and board manufacturers who have built excess capacity and have been trying to under cut the export market to promote sales. The margin squeeze they are currently experiencing will cause them pain they are likely to remember for a while.

FINAL SHUT FOR PM1 TASMAN

When the Norske Skog announced the AUD160M restructuring of production in Australasia, including the 50 ktpa upgrade at Albury, back in 2004, part of the strategy was to close PM1 Tasman.

At the time PM1 Tasman was producing close to 80 ktpa of newsprint. The volume was to be relocated across Albury (50 ktpa) and PM 2 and PM3 Tasman (30 ktpa).

Tasman PM1 was finally decommissioned on 1st August 2006, after 50 years of production. Including associated woodyard and pulping operations. The closure of PM1 has reduced staffing levels by almost 130 people. Norske Skog reports this was achieved almost entirely by voluntary redundancies rather than retrenchments.

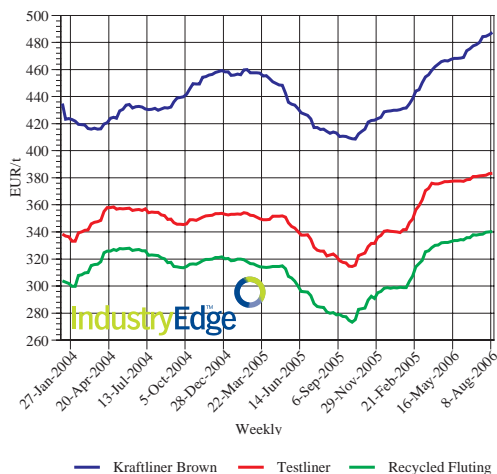
First Paper Produced by Tasan PM1 in 1955



Source: Norske Skog

The relocation of capacity closer to the markets has been driven by a strategy for Norske Skog to reduce its Australasian annual costs by AUD30M, and for a resulting improvement in gross operating margins of 3% to 4% pa.

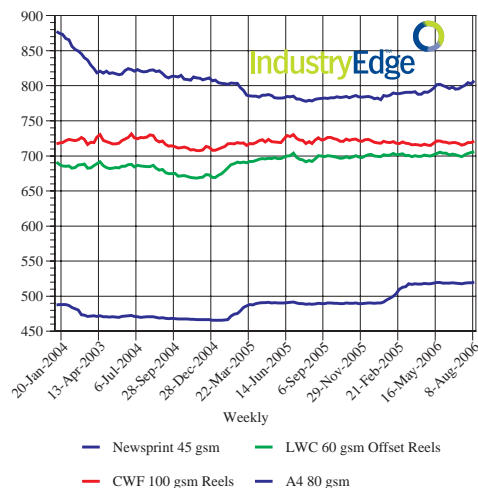
PIX Packaging Indexes: 7 Jan '04 - 11 Jul '06 (EUR/t)



Source: FOEX

For ten months the European PIX benchmarks prices for fibre packaging have been trending up. The kraftliner (unbleached) benchmark PIX is EUR487/t in August, which is expected to rise further with the annual peak period of demand being September and October.

PIX Paper Indexes: 7 Jan '04 - 11 Jul '06 (EUR/t)



Source: FOEX

European benchmark PIX paper prices have managed the smallest of positive upturns, with no evidence there will be any sustainable upward trend in the short-term. Between mid-July to mid-August both the Benchmark PIX for CWF 100 gsm Reels and LWC 60 gsm rose by EUR4/t.

TUMUT EXPANSION GAINING TRACTION

A timeline for the possible expansion of operations at Visy Pulp & Paper at Tumut is now a working reality.

The exact final nature of the expansion being considered by Visy for Tumut is still to be decided. *IndustryEdge* understands the most likely outcome will be expansion of the current pulpmill and the construction of a state of the art paper machine.

The proposed VPP Tumut Mill Expansion plan has already been submitted to the NSW Department of Planning. A summary of the plan was also discussed at the Visy Community Consultative Committee (a regular meeting between Visy, its neighbours and representatives of Tumut and the region, including the Council) in May.

Lex Kingma, General Manager Visy Tumut gave a presentation on the expansion plan to Tumut Council in June.

In July, Visy has received the Director General's Requirements from the NSW Department of Planning. These requirements are the issues and criteria to be addressed by Visy in its Environmental Impact Assessment.

The Environmental Impact Assessment will be completed in November or December 2006, and the development approval is expected in April 2007.

The detailed Feasibility study will be finished by July 2007, with Visy set to take the final invest decision in July or August 2007.

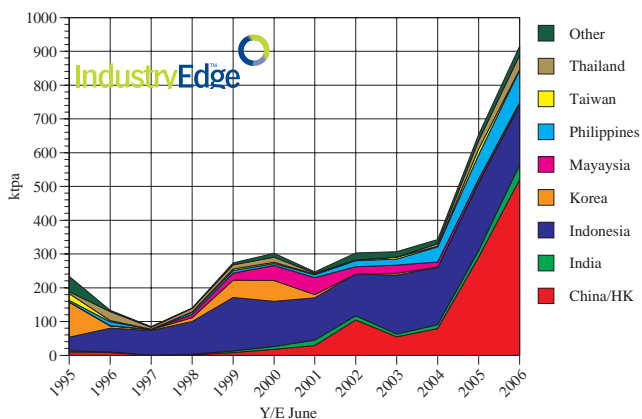
The timeline is now well established - with committed work having fixed dates for completion.

Plantation Timbers Delivered at Visy Tumut



Source: Visy

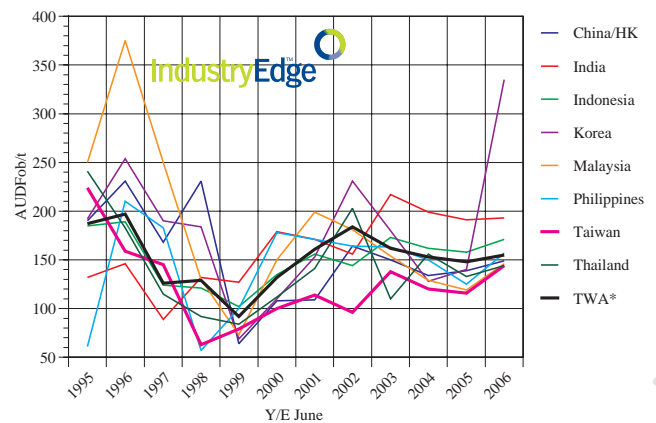
Wastepaper Exports by Country of Origin: 1995 - 2006 (ktpa)



Source: ABS

Exports of wastepaper from Australia have increased at an average annual rate of 63% for the last two years, to be 915 kt in 2005-06. China is the major destination, accounting for 57% of shipments last financial year. Philippines took the second largest quantity with 10.5% of exports.

Wastepaper Exports by Country of Origin: 1995 - 2006 (AUDFob/t)



Source: ABS

Weighted average export prices from Australia of wastepaper by country of destination where over a smaller range in 2005-06 than for previous years, apart from a potential outlier for exports to Korea (0.2% of total exports). The total weighted average export price was only AUDFob6/t above the average export price to China.

The impact of the expansion is expected to be an additional 400 jobs in the region, 50 at the mill and 350 flow on jobs in supply and services. The project to expand the mill is expected to take place over a two-year period depending on the decisions in the feasibility stage.

The expansion program necessitates a considerable increase in fibre supply. However, while Visy has always considered it industry's responsibility to create jobs, it is the responsibility of governments to create infrastructure. As a consequence Visy is supporting a proposal to reopen the Tumut to Cootamundra railway line, with support being sort from the Tumut, Cootamundra and Gundagai councils.

Tumut Shire has already submitted a proposal to the NSW Department of Transport and Regional Services for a AUD2M grant to conduct a feasibility study into reopening the line. IndustryEdge understands the application is the only railway related project under the Auslink program.

In July, the Tumut mill achieved a new record by breaking through a monthly average production rate of above 900 tonnes per day.

VP9 Tumut

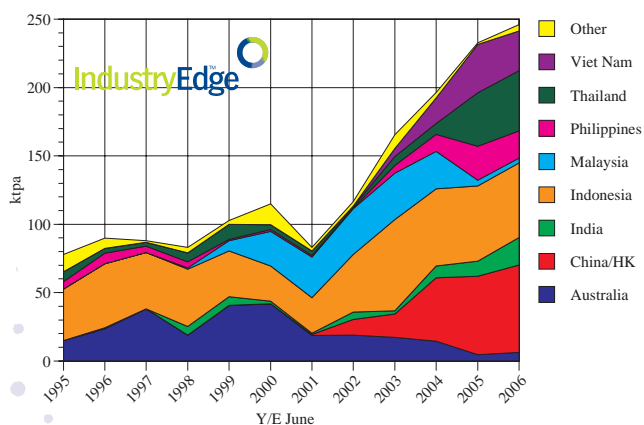


Source: Visy

GUNNS PROVIDES IIS BRIEFING

On 27th July, Gunns held a briefing on its Integrated Impact Statement for invited representatives from the Tasmanian government, community and industry. Detailed presentations focused on pulp markets, resource supply, transport, impact on atmosphere and marine environment and health.

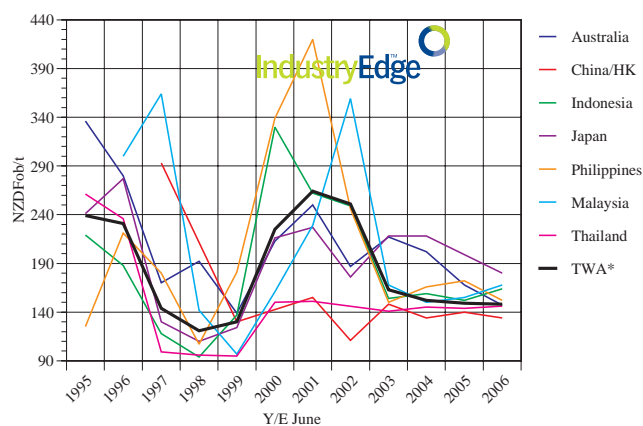
NZ Paper & Paperboard Exports by Selected Countries (NZDFob/t)



Source: NZ DoS

The rate of the sharp rise in New Zealand's exports of waste paper and paperboard since a trough in 2000-01 slowed in 2005-06. The average rate of increase since 2000-01 has been 24%, with exports in 2005-06 falling just short of 250 kt. The major destinations were China and Indonesia.

NZ Paper & Paperboard Exports by Selected Countries (kt)



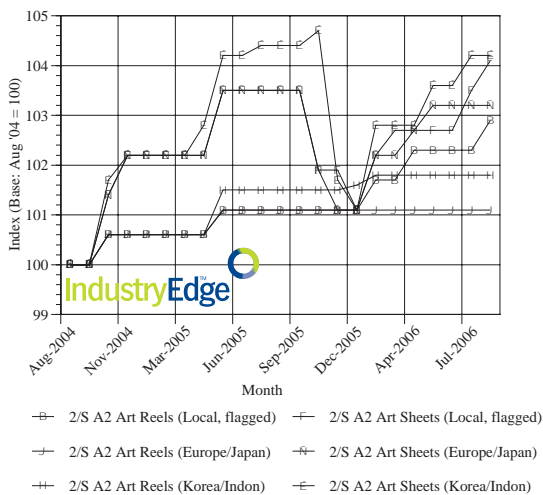
Source: NZ DoS

In a similar manner to weighted average export prices from Australia, New Zealand's average export prices by country were over a smaller range in 2005-06. The weighted average export price for shipments to China was NZDFob134/t last year, while the total waited average export price was NZDFob148/t.

Pulp & Paper Market Edge August 2006

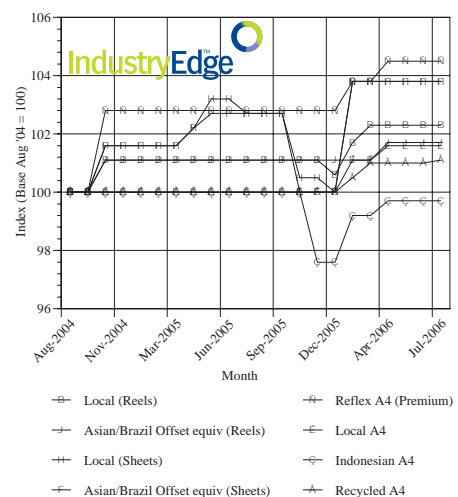
Grade	Specification	Weight	Form	Monthly Prices		12 months
		(gsm)		Current	Previous	ago
Printing & Communication						
Newsprint	Norske Skog Announced Price	45	Reels	\$ 1 023	\$ 1 023	\$956
Uncoated Mechanicals	S/C Mech Offset (Sweden)	56	Reels	\$1 285	\$1 285	\$1 240
	Norske Skog Norstar	52	Reels	\$1 141	\$1 141	\$1 087
Coated Mechanicals	LWC (Finland)	54	Reels	\$1 625	\$1 625	\$1 600
	LWC (Finland)	65	Reels	\$1 650	\$1 650	\$1 650
	MWC (Finland)	80	Reels	\$1 650	\$1 650	\$1 600
	Local Acclaim Lick-coated Offset	54 - 60	Reels	\$1 500	\$1 500	\$1 500
Packaging Grades						
Coated Cartonboard	1/S Solid Bleach Board (USA)	350um+	Reels	\$ 1 500	\$ 1 500	\$ 1 811
	Local (Artcote White)	400um+	Reels	\$1 562	\$1 562	\$1 712
	Local (Artcote Grey)	400um+	Reels	\$1 369	\$1 369	\$1 369
	Local (Eco-cote)	400um+	Reels	\$1 311	\$1 311	\$1 311
	Pearl Kote® Ctd Kft Back	356um+	Reels	\$1 250	\$1 265	\$1 340
	Pearl Kote® Ctd Kft Back	457um+	Reels	\$1 235	\$1 250	\$1 325
	Aqua Kote® Ctd Kft Back	508um+	Reels	\$1 285	\$1 300	\$1 475
Container Materials	Kraftliner	200	Reels	\$ 914	\$ 914	\$907
	Testliner	150	Reels	\$ 809	\$ 807	\$ 791
Sack kraft	Semi extensible	70/80	Reels	\$1 358	\$1 355	\$1 309
	Flat Sack Brown	80	Reels	\$1 335	\$1 330	\$1 279
Fibre Resource						
Wastepaper	ONP - No 8 De-inking Australia into Asia			\$ 118	\$ 116	\$ 130
	ONP - No 8 De-inking USA into Asia			USD \$133	USD \$133	USD \$147
	ONP - No 8 De-inking Japan into Asia			USD \$131	USD \$131	USD \$138
	ONP - No 8 De-inking Europe into Asia			USD \$120	USD \$120	USD \$133
Pulp	NBSK Landed		Bales	USD \$700	USD \$660	USD \$590
	Bleached Eucalypt Landed		Bales	USD \$650	USD \$640	USD \$600

Indexed CWF Prices: Aug '04 - Aug '06



Source: IndustryEdge research

Indexed UCWF Prices: Aug '04 - Aug '06



Source: IndustryEdge research