



In the August 2006 *Pulp & Paper Edge*, IndustryEdge explored the issue of information and document destruction and the development of the National Association for Information Destruction (NAID) based in the USA. To understand developments regulating information destruction in the domestic market, IndustryEdge discussed with Tim Whiteside (pictured), Asia-Pacific President, Recall, issues surrounding information destruction.

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MARKET PULP - CHANGING DYNAMICS

The dynamics for market pulp appear to be changing, with more control being exerted by buyers.

Prices, especially for hardwood pulp, are almost certainly as high as they can go. It is not so much that sellers are no longer able to push prices up, but rather that paper price rises have not held to the extent non-integrated paper manufacturers needed them to so there is absolutely no margin left to pay for higher pulp price.

The expectation has been that hardwood pulp prices will start to trend down in December or at the latest early January due to increased supply, especially from South America, and slightly weaker demand after the peak end of year period.

In the lead up to this period when prices were at least expected to be stable, if not weakening slightly, hardwood pulp producers have announced another USD20/t price rise in most regions. The charge for the price increase was led by VCP citing lower inventories leading into the annual maintenance shuts, especially in South America.

The price increase announcement for hardwood pulp may have been a strategy to stop buyers talking about or holding off acquisitions until the prices started to fall. However, there has been strong resistance to the announced increase, with SCA taking a provocative lead by establishing a purchase price for its own for BEKP. Other buyers are likely to support this move, and if there is sufficient momentum then buyers will be gaining pricing power in the market.

PULP & PAPER EDGE STRATEGIC REVIEW 2006

The *Pulp & Paper Edge Strategic Review 2006*, IndustryEdge's annual assessment of the pulp and paper industry in Australia and New Zealand, and developments during 2005-06, is now available.

The publication provides strategic analysis of the pulp and paper industry in Australasia, and examines demand drivers across all sectors. Data is presented on production, imports and exports over an eleven-year period, both in tabular form and colour charts.

Particular attention is paid to price trends. Nominal prices are compared to benchmark price indices and money prices converted to real prices over an eleven-year period.

Further details about the *Pulp & Paper Edge Strategic Review 2006* may be found on the IndustryEdge web site at www.industryedge.com.au or by contacting Robert Eastment on 61 [0] 3 6224 7166 or robert@industryedge.com.au.

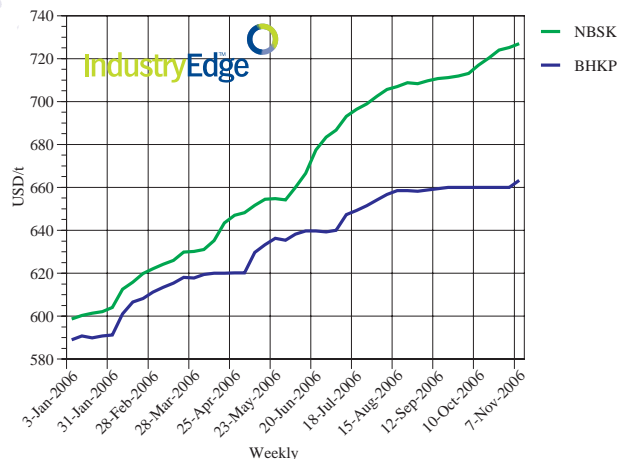
For softwood pulp producers there is also some increased uncertainty. Prices have been driven up due to closure of some inefficient pulpmills, principally Canadian. There has also been some capacity removed in Europe, with indications more may be considered for the future.

With the higher softwood pulp prices, there has already been a move by buyers who can to move to the cheaper hardwood pulp. This has assisted to a very small extent in reducing demand

pressures. A new problem is now arising that may push softwood prices up rather than the expected softening in the New Year, and this is the dramatic fall in housing starts in North America. If demand for framing timbers is slashed, then sawmills close and the supply of softwood chips is reduced to a trickle.

Weekly NBSK & BHKP PIX Prices:

3 Jan 2006 – 7 Nov 2006 (USD/t)



Source: FOEX

The resulting sharp rise in the price of softwood chips will further push non-viable pulpmills out of the market, if they can indeed get chips - supply of softwood pulp will be reduced further and prices will continue to rise.

For non-integrated paper producers these scenarios, while convoluted, will mean there is some hope for cheaper hardwood pulp on the horizon, but for those relying on purchasing softwood pulp, the hope of prices weakening looks increasingly perilous in the short-term.

GUNNS IIS REVIEW UNDER REVIEW

The Tasmanian Resource Planning and Development Commission has been reviewing the Gunns Integrated Impact Statement submission for more than three months. The RPDC has commissioned a number of peer reviews by a range of consultants and research organisations of the original work in the IIS.

It is not expected peer reviews will praise the work undertaken the first time around, therefore the process within the review of the IIS is now raising new issues.

These issues have been seized upon by detractors of the proposal to build the pulpmill, resulting in environmental

groups either calling for the pulpmill proposal to be scrapped or started again.

The trouble with this process is that many of the issues being raised are either non issues or else have little relevance. When the environmental groups seize upon these issues and try to make them greater than they are, then the process can be construed as delaying tactics and not adding value to community consultation.



Part of the process that has undermined some of the work that has been done is that a few

peer reviews have raised concern that Gunns has not addressed every point they should have. However, the answers Gunns has provided have been in response to questions and input developed through a public consultation process.

If further questions are raised, then the companies conducting the peer reviews should label these as new issues that may or may not be addressed.

This type of occurrence is not unusual in peer reviews and has the potential to add value to the process of judging the IIS responses.

The Greens, through their lawyers at a directional hearing, have raised concerns about the independence of the RPDC panel assessing the proposed pulpmill. They believe Dr Warwick Raverty should be expelled from the panel for 'apprehended bias'. Dr Raverty has worked for the CSIRO, is an expert in marine and atmospheric research and has worked as a consultant to the pulp and paper industry for twenty years.

The question being raised is that does this level of experience make him an expert, and therefore of value to the review panel, or does it make him biased towards a pulpmill project and unduly accepting of the work being done by the CSIRO.

Other panel members are Julian Green (Chairman) Geoff Davis and John Ashe.

By mid-December Gunns must produce supporting evidence to address issues raised through public submission and must also provide necessary documentation and consultant's reports to rectify mistakes in the initial IIS submission.

IndustryEdge estimates the current issues being raised will delay the announcement of the RPDC review panel decision by three months, or until mid-year 2007.

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The Office Paper Chase

Extended Producer Responsibility and Product Stewardship are concepts that are being progressed to reduce the quantity of high quality white office paper being dumped. The low recovery rates for these grades are the result of a number of issues, including poor financial returns for sorting into separate collection streams and the difficulty of maintaining the logistics of storage, collection and reprocessing.

Apart from the Amcor mill at Fairfield, there is no other metropolitan de-inking facility in Australia.

While it should not be a driver for increasing white office paper collections, the consequences of a formal set of standards for information destruction in Australia and New Zealand would almost certainly boost the quantity of sorted white paper in the waste stream.

Information destruction on both sides of the Tasman is still not an exact science or even clearly defined at all levels of government. It would be reasonable to say that there is even a general misconception that shredding paper and information destruction are one of the same. In years past this may have been the case, but with modern technology it is easier than many people think to scan shredded paper, and then, through the use of computers, reassemble the shredded documents so the information can be readily accessed.

Without the necessary legislation ensuring only qualified companies undertake information destruction there will always be a tendency for small, unqualified operators to enter the low end of the market. *IndustryEdge* is not implying that all these small operators are unprofessional, however, there are sufficient reported instances of classified information being dumped so the public can still access it rather than being destroyed permanently, and many of these occasions have been linked back to smaller operators.

Current Regulations

IndustryEdge asked Tim Whiteside, Asia-Pacific President, Recall, to clarify what is happening in Australasia regarding the legislation to govern secure document destruction.

Whiteside said that, "Whilst legislation relating to the secure destruction of information exists in all states, its current wording, and indeed the fact that it varies somewhat state-by-state, leaves a lot to be desired.

"For example, most legislation calls for the shredding or secure destruction of hard copy documents, but gives no indication of where shredding ends and secure destruction starts. In fact it could be argued that this phrase, common to nearly all legislation, highlights shredding as being quite distinct from secure destruction, which has been Recall's position for many years.

"Many leading companies include in their Privacy Statements on their web sites such details as 'The current planned process for destruction of your information entails the shredding or secure destruction of all paper based records...'. But by whom, in what way, and with what proof?

"Without a clear definition of what constitutes shredding (which is really nothing more than mechanically tearing something up) and what constitutes secure destruction (unrecognizable and unrecoverable) then no one will win, especially the person whose personal records are recovered from a company's dumpster bin after putting documents through a \$99 shredding machine bought from the local office supply company. "

Voluntary Code of Practice

Without a clear definition of what constitutes shredding or document destruction, the appropriate step would be for the industry to take the initiative to implement a code of practice rather than waiting for legislation to be thrust upon them.

When asked how feasible this approach would be, Whiteside took a strong but pragmatic view. "Most industries operate a self-regulation model, and if they are serious about maintaining high standards and fairness within the marketplace then this model works extremely well. NAID has the existing structure for industry certification and would be a good starting point.

"If we are to standardise and certify, then we must accept there will be collateral damage, with a number of existing, mainly smaller, players probably not being able to step up to the new line. Larger or leading players must view this as an opportunity for them, for as all players reach the minimum certifiable standard, they will be encouraged to offer services, assurances or benefits that exceed these minimum industry standards.

"Self-regulation should be achieved in conjunction with Governments, as it is the various Governments that draft the legislation governing the work we undertake. This would be the perfect opportunity to encourage them to more clearly define what is and is not 'secure destruction', even to the point of requiring 'Certificates of Destruction' for those industries dealing with large numbers of personal information files."

Do Nothing Option

Implementing a voluntary code of practice is more than creating rules. There is a financial commitment by the companies leading the initiatives, but this allows other organisations that don't participate a free ride to gain the benefits.

An alternative to organizing a Code of Practice is to do nothing, but this carries risk for the larger and established document destruction companies. *IndustryEdge* asked Whiteside what the risk would be if the industry did not move in a voluntary manner to establish a Code of Practice.

What Whiteside said is that "If the industry is left the way it is, I see two major things happening.

"Firstly, I would argue that the majority of new players would enter towards the bottom of the market as it is the cheaper entry point. This would mean more companies taking advantage of the lack of legislative definitions to sell a low-end shredding service, thus perpetuating many of the misconceptions that exist regarding what is secure destruction. This would be a retrograde step for the industry as a whole.

"Secondly, with the industry standards (and let's assume the current legislation as well) left the way it is, there is little compelling reason for thousands of companies to outsource secure destruction to our industry members. The DIY destruction market will continue to operate unaddressed."

Who Benefits?

If there is a structure to assist companies to understand better which firms are qualified to undertake secure destruction of information, then there needs to be clear benefits to the users. *IndustryEdge* asked Whiteside about where the benefits would lie if a formal process was implemented for the destruction of information.

Whiteside sees most of the benefits remaining with the users of a certified service. He said, "This is an interesting question as the benefits of secure document destruction are so many.

"Essentially any business that deals with either a large volume of personal information (such as banks, insurance companies, telcos and the like) or any business that is based on the value of its Intellectual Property (such as software companies, biotechnology companies and the like) will benefit from a sound secure destruction regime.

"They benefit in a number of ways. Firstly, they have peace of mind regarding areas of compliance. Secondly, they stand far less chance of facing fines or legal action that could result from poor destruction systems. Lastly, they can gain the goodwill of their customers if they highlight the fact that customer information is protected from cradle to grave. "

The Costs of Change

From the paper supply perspective the interest in document destruction is the potentially increased quantity of clean office white available for recovery and processing as a high-grade product. However, this will not happen if the costs of 'disposal' remain low and companies see no benefits in using a secure document destruction service.

IndustryEdge asked Whiteside about the cost of implementing change and if the recovery of this would be lost if small new entrants continued to gnaw away as low cost providers with an inferior service.

Whiteside realises that the document destruction industry itself should not be looking for others to blame. He said "As can be seen from much of the above, we are operating in an industry that has some poorly defined services such as secure document destruction. Many potential customers believe they can perform

this in-house, and the opportunity for new players to enter our industry with products, services and standards that do not presently need to gain certification.

"This is an astounding situation for an industry that has been operating for as many years as we have.

"The extra revenue to be gained through a certification program, coupled with a push for governments to tighten up the language of the various pieces of legislation surrounding secure destruction, would be considerable.

"I repeat, so long as businesses see shredding as a form of secure destruction, a large proportion of them will continue to do much of this form of 'disposal' in-house. Those that outsource it will do so to the company offering the lowest price – because shredding is seen as a commodity.

"A final cost of doing nothing, is that this industry will have lost the opportunity to prove that it is an outsourcing model that can truly offer a cradle to grave solution to a company's information lifecycle."

Internal or External Threats

A company undertaking its own document destruction may be opening themselves up for increased risk from their own staff and from external factors such as dumpster diving. *IndustryEdge* asked Whiteside where the risk lay to companies in Australia and New Zealand in undertaking their own document destruction or shredding.

Whiteside replied, "The greatest threat to privacy is technology. Look at the tens and hundreds of thousands of people whose personal details are harvested through hacking or, as in the recent AOL case, where their search preferences were made available to the point where it was possible to identify an individual although no names or addresses were provided. (<http://www.washingtonpost.com/wp-dyn/content/article/2006/08/07/AR2006080701150.html>)

"Most reports I have seen would indicate that staff pose the next greatest security threat, however I feel that proper screening before engagement combined with excellent education into privacy matters during the induction process would decrease this risk.

"A lower, but still significant threat comes from dumpster diving and associated activities. Once again, if businesses were educated to the difference between the various levels of shredding and proper secure destruction, dumpster diving would all but disappear as a serious security threat."

Demand for Office Whites

If the paper supply industry and governments at various levels are starting to working to set new strategies for increasing the quantity of office whites recovered, with or without any changes to legislation regarding document destruction, a short analysis of demand for office whites will be necessary.

Domestic demand for office whites is from Amcor at Fairfield, which actively pursues what quantities are available, however, markets for de-inked pulp are not as large as Amcor would like.

The other company that would accept, but probably not chase, office whites would be Norske Skog at Albury. Office whites being made from bleached kraft pulp would be beneficial to newsprint brightness-wise, however, the short fibres would not be so advantageous strength-wise.

Apart from sending sorted office whites back into packaging with either Visy or Amcor, the alternative would be the increasingly strong export market.

Exports of Wastepaper for September Quarters

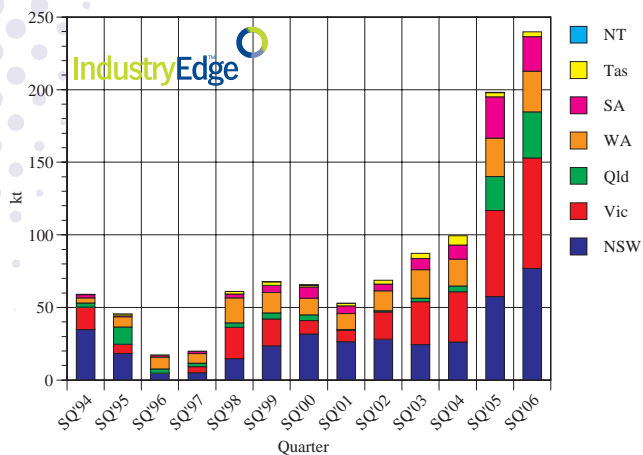
While the data show that, nationally, the export figures for wastepaper remain strong, closer analysis needs to be undertaken to see where the wastepaper is, what quality and quantity there is, where it is being exported to and for what price.

To include the first quarter (SQ) 2006-07 in the analysis of wastepaper exports, the following charts and discussion compare export data for the September quarter only for each year.

Volumes by State

NSW and Victoria are the only states with sufficient volumes being exported that could potentially feed a new domestic processing facility, all grades not just office whites. For the SQ'06, both states exported close to 77 kt.

Exports of Wastepaper by State: SQ'94 – SQ'06 (kt)



Source ABS

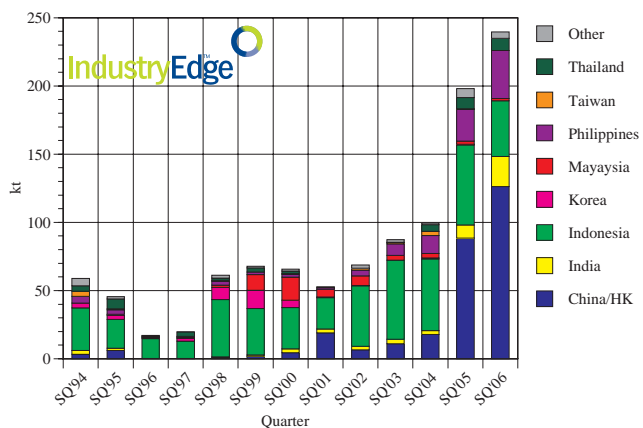
For the September quarters, exports have jumped 140% in two years, with all states experiencing strong growth apart from the insignificant volume out of Tasmania and the Northern Territory.

In 2005-06, 321 kt were exported from NSW, however, how much of this volume would be accessible to Amcor has not been determined, but it is reasonable to assume there would be sufficient volume available to Amcor to supply a possible new paperboard machine with greater capacity at Botany.

Volumes by Country

There is only one market driving the rise in exports of wastepaper and that is China, rising from 6.6 kt in SQ'02 to 126.3 kt in SQ'06. A rise in shipments to the Philippines from 4.2 kt in SQ'02 to 35.4 kt in SQ'06 is small compared to the rise in shipments to China, but in relation to other countries could still be considered significant.

Exports of Wastepaper by Country: SQ'94 – SQ'06 (kt)



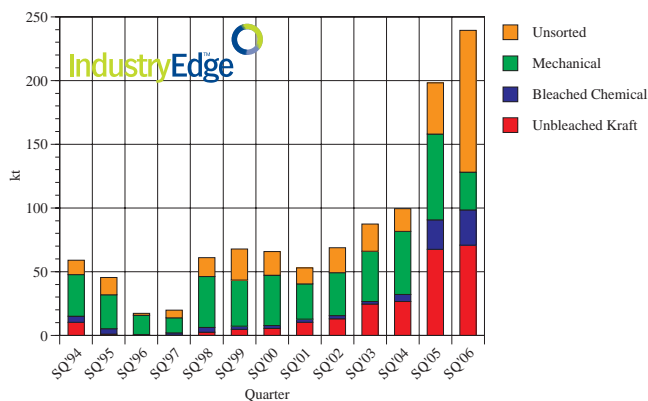
Source ABS

During the last decade Indonesia has been a major destination, but for SQ'06 compared to the previous corresponding period shipments declined by a third to 41 kt. However, a potential large market for Australian exports the future, India, has increased from 9.7 kt in SQ'05 to be 22.0 kt in SQ'06.

Volumes by Grade

The increase in shipments to China has been for unsorted wastepaper, the lowest value grade. This growth, however, raises concerns in that the Chinese authorities are increasingly restricting imports of contaminated wastepaper, which is more likely to occur in unsorted shipments. Contamination may be through either goods such as glass, plastics or even coloured stickies, as well as through prohibited printed material that is not available for sale in China, but freely available from outlets in Australia and other countries.

Exports of Wastepaper by Grade: SQ'94 – SQ'06 (kt)



Source ABS

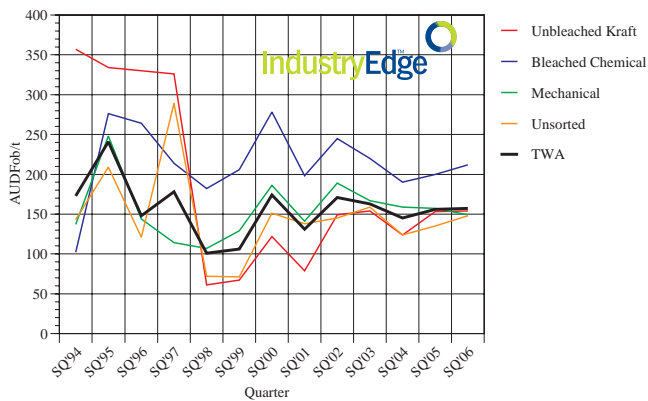
Exports of bleached chemical, including office whites, have jumped 400% between SQ'04 and SQ'06, however this was from a very small base of only 5.5 kt for SQ'04.

It is almost certain more bleached kraft wastepaper could be exported if it was collected as a separate waste stream, and not included to a large extent in 'Unsorted'.

Exports by AUDFob

The final chart shows that when the weighted average export prices for the four grades are considered for the September Quarters for the last ten years, the weighted average price for bleached kraft has been in the vicinity of AUDFob50/t more than the trade weighted average.

Exports of Wastepaper by Grade: SQ'94 – SQ'06 (AUDFob/t)



Source ABS

The higher price and potential demand from offshore for bleached kraft does not appear to have been an adequate incentive for substantially increasing export volumes for this grade. The cause has been the accompanying higher costs of collection for the grade, as well as the limited availability of bleached kraft in a separate waste stream.

Conclusion

The increased collection of office whites is likely if leading companies in document destruction, such as Recall, were certified to provide secure information destruction as opposed to shredding services that are currently available from a wide range of companies.

The collection of office whites for secure destruction is likely to send the collected fibre for reprocessing rather to landfill. However, even if the increased quantity of bleached kraft did become available it is likely it would need to be exported rather than processed in Australia or New Zealand.

The catch is that a facility requiring larger quantities of bleached kraft waste paper for processing is not likely to be built in Australia or New Zealand until there are sufficient volumes available, however, collections are not likely to occur until a domestic processing facility is available.

For international companies such as Recall, with experience in document destruction, there would be benefits if there was a local buyer of the available waste fibre stream. However, the export market is likely to continue to provide the only prospects for companies collecting this valuable fibre resource.

PRICE CHANGES IN THE CWF MARKET?

There are two recent developments that may impact prices in the Australasian markets for CWF papers. One is M-Real's announced potential closure of some capacity in Europe and the other is the change in the media ownership laws in Australia.

Potential Closures by M-Real

After a prolonged strategic review, M-Real has announced the potential closure of 15% of its capacity in Europe. (M-Real has, in turn, 15% of the capacity for the production of fine papers in Europe.) The candidate mills for closure are:

Mill	Country	Capacity	Grade
Sittingbourne	UK	210 ktpa	CWF
Gohrsmühle PM6 & PM7	Germany	100 ktpa	CWF
Wifsta	Germany	175 ktpa	UCWF

If the potential closures are forthcoming, it will remove approximately 2.5% of coated woodfree capacity from Europe. This is not a significant reduction in capacity, and the total impact on the European market may be minimal with increased utilisation by remaining mills possibly taking up the slack. Current utilisation of European mills is approximately 90%.

If high cost CWF facilities are closed in Europe there is likely to be some positive impact for flagging CWF prices that have been suppressed for an extended period because of over supply, and the resulting level of competition. However, there is still some reluctance to allow capacity to be transferred to China, with a recent announcement by Stora Enso it will keep the Uetersen, Germany, facility operating after considering its future prospects.

Change in Ownership Laws

Many subscribers to Pulp & Paper Edge outside of Australia may not be aware the Australian government has changed laws governing limitations on media ownership across Australia. In the past, companies owning television or radio stations had limited opportunities to own other forms of media, especially newspapers, in the same regions covered by their electronic media footprint.

The laws have now been relaxed to allow for greater cross media ownership, and even before the ink is dry on the changes the media giants have made strategic moves to grow and diversify their asset bases significantly.

Magazine publishing, a very significant market for CWF in any country, is totally dominated by a handful of media barons in Australia. Therefore, with the expected buying and selling of publishing assets accelerating in Australia due to the new laws, and the resulting opening up of opportunities, a significant number of leading magazine titles are expected to change hands. If there are not new owners, then current ownership will be diluted as investors buy into the market to provide liquid funding for the barons.

In the past the major magazine title owners have been keen to spread the printing contracts to keep printers alive, but hungry. With new company structures emerging, there is the very real possibility the current strategies for magazine publishing and printing may be upended, with possibly some of the work even moving offshore.

There is no certainty CWF prices will rise due to reduced supply in Europe or what changes will occur in the magazine market. However, the two influences are expected to work in opposite directions when looking for support to push up CWF prices in Australia.

The CWF market scenario in New Zealand is not significantly different from that in Australia, even though New Zealand

imports a greater proportion of printed magazine titles. However, movements in CWF prices are expected to be similar on both sides of the Tasman, allowing for the fluctuations in the relative values of the respective currencies.

DEAL FOR CHH TO BUY IP BEVERAGE DIVISION

There is increasing evidence Carter Holt Harvey (CHH) is interested in purchasing the beverage packaging division of International Paper (IP). There has been no formal announcement by IP or CHH that the deal is underway, and no price agreement has been reached as yet.

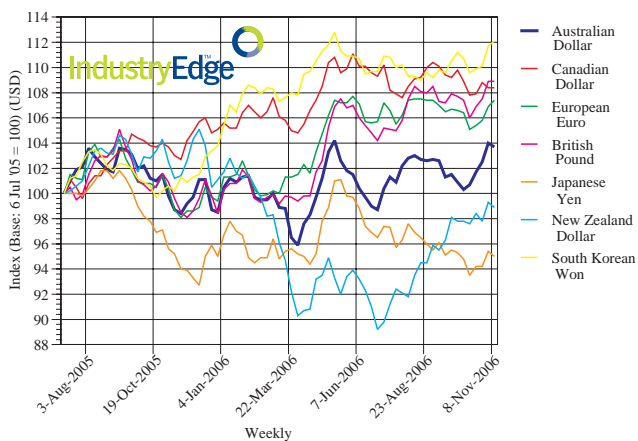
A spokeswoman from IP has confirmed the possible sale was announced to the staff at the Pine Bluff (Arkansas) paper mill last month. The facility makes 460 ktpa paperboard, which is sufficient to supply a quarter (possibly even a third according to one IP statement) of global demand for gable top packaging.

In the US domestic market, the Pine Bluff facility supplies about 48% of apparent consumption of board for liquid packaging.

The mill also produces some coated woodfree grades.

The operations at Pine Bluff consist of two paper machines, four extruders, an off-machine coater and two supercalenders. The

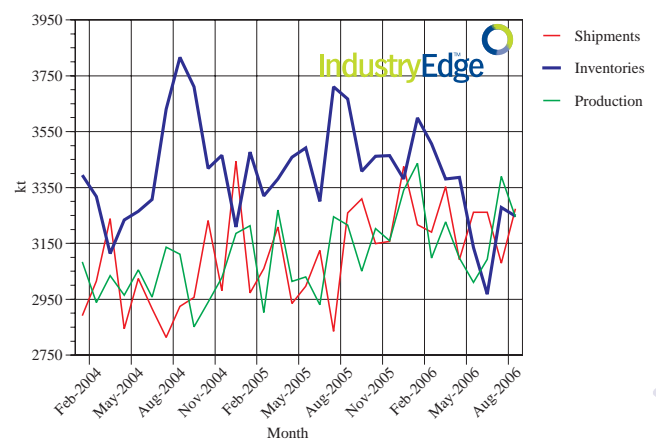
Main Trading Currencies: 6 Jul '05 - 8 Nov '06



Source: Uni of BC

Between the second week of October and the beginning of November the AUD strengthened by 4%, just short of its 12-month peak. However, it has since eased slightly, but exporters would like it to be much weaker. The NZD looks set to finish 2006 at the same rate to the USD as it started.

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



Source: Pulpwatch & IndustryEdge estimates

World-19 data for August resulted in shipments, inventories and production being in a range of only 30 kt. Inventories are still lower than the average over the last twenty-four months, resulting in fewer days supply and upward pressure on prices.

bleaching process is ECF. The mill has 1,150 employees and the brand name for the packaging board produced is *Fortress*™.

The length of delay regarding the confirmation of the sale depends on the time it takes CHH senior management to complete due diligence, and then make an offer and negotiate a price.

The IP Beverage Division has plants in California, Florida, Iowa, Massachusetts, Michigan and North Carolina. The potential deal would also include packaging operations in Canada, North Asia (China, South Korea and Taiwan) Latin America and Middle East.

The question for many in the Australasian market is likely to be why would CHH spread into other regions, especially North America, when there are limited opportunities to integrate the potential investment back into the CHH acquisition?

At the time of writing there is no indication what CHH would be willing to pay for the IP Beverage Division. *IndustryEdge* does not agree with a report recently that was speculating CHH was positioning itself in the USA to build global assets. Growth in the global packaging industry, such as was undertaken by Amcor a number of years back, would certainly require a spread across various packaging types, and Hart does not

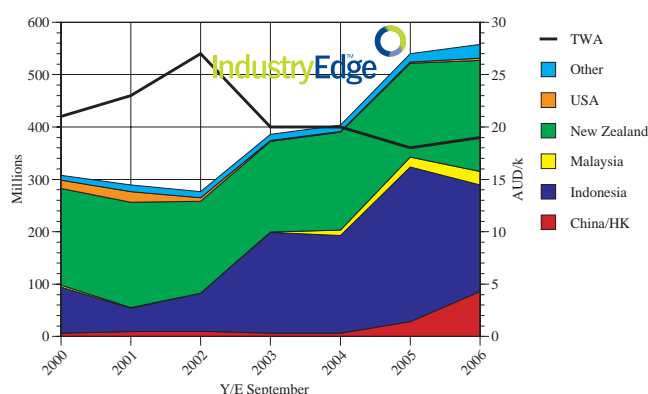
have a track record of building empires. He sells assets and businesses to maximise returns.

The Pine Bluff mill has undergone a USD60M upgrade since 2002, improving the value of the asset, with the challenge for Hart being to build the value of the business and the product.

ENVELOPE IMPORTS

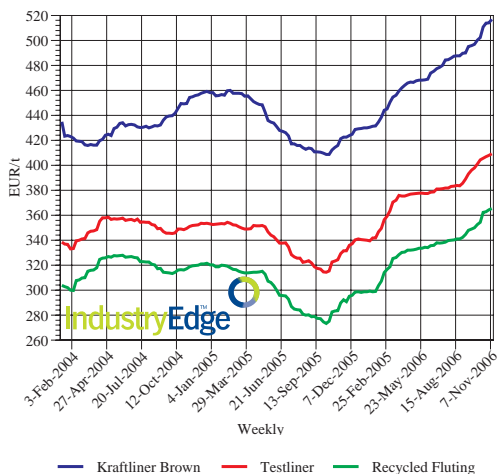
Despite encouragement to increasingly correspond by electronic means, especially for billing and the distribution of annual reports, import levels of envelopes have risen for the fourth consecutive year.

Imports of Envelopes by Country: 2000 – 2006 (M & AUD/K)



Source: ABS

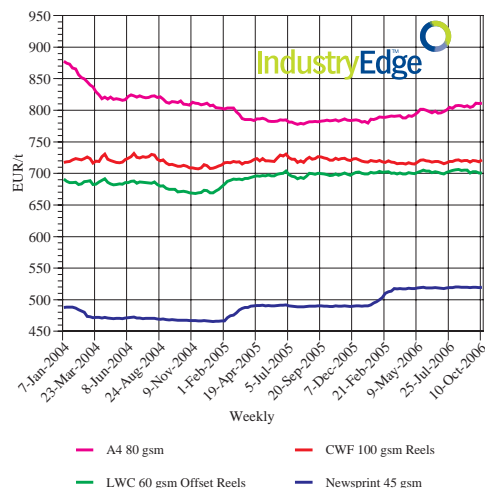
PIX Packaging Indexes: 7 Jan '04 - 7 Nov '06 (EUR/t)



Source: FOEX

The European PIX benchmarks prices for fibre packaging materials continue their strong upward trend. The benchmark PIX for Kraftliner Brown is above EUR517/t, having risen at an average rate of 1.9% per month over the last year.

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



Source: FOEX

European benchmark PIX paper prices continue to show few signs of a pulse. The exception is newsprint 45 gsm, which has managed to crawl up at an average rate of 0.6% per month since November 2005. The benchmark for CWF 100 gsm Reels has managed to rise EUR4/t over the last two months.

Since 2001-02, the number of envelopes imported has increased at an average rate of 19% pa. This is a sharp reversal of the trend for the years in the late 1990s. In 1994-95, the quantity of envelopes imported reached 1 219M, however, due to local manufacturing increases, the number imported in 1998-99, had fallen to a low of 277M, a reduction of 77%.

Local production is increasingly challenged by cheaper imports, resulting in an increase in shipments over recent years.

The major source of imports between 2002-03 to 2004-05 was Indonesia. However, in 2005-06, shipments from Indonesia declined by 31% (92M) while the quantity from New Zealand (Candida) rose by 18% (33M).

In a similar manner to many other grades of printing and writing paper and stationery items, it is shipments from China that are already, or will be, making the most significant impact. For envelopes, imports from China jumped from 28M in 2004-05 to reach 86M in 2005-06. A rise of 205% over a twelve-month period.

Shipments from Malaysia and the USA remained only a small proportion.

When import shipments were at a low in 2002-03, the weighted average import price peaked at AUDFob27/k, then declined to be only AUDFob18/t in 2004-05. After falling for three-years, the average import price managed a small rise of 5% in 2005-06 to AUDFob19/k.

A major driver in the rise in imports has been the continuing strong demand for address mail catalogues.

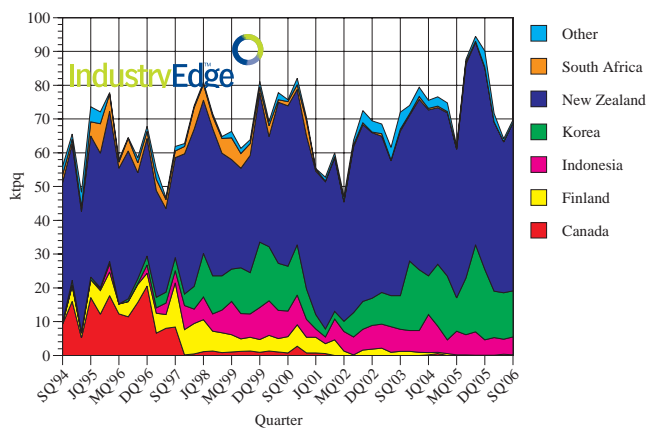
CONVERTED TISSUE VALUE UP

The value of imported tissue products rose sharply in SQ'06, pushing the total value for the year ending September quarter to a record level of AUD241M. This was a rise of AUD40M, or 20%, for year ending SQ'06 over the previous corresponding period ending SQ'05.

For year ending SQ'06 there was a rise in value for all products except for facial tissues, which experienced a very slight decline in imported value.

A major increase was in the value of toilet tissue, rising from AUD42.3M to AUD62.0M, or an increase of 47%. However, on a proportional basis, the biggest increase was in the value of serviettes, which was up 165% or AUD10.2M.

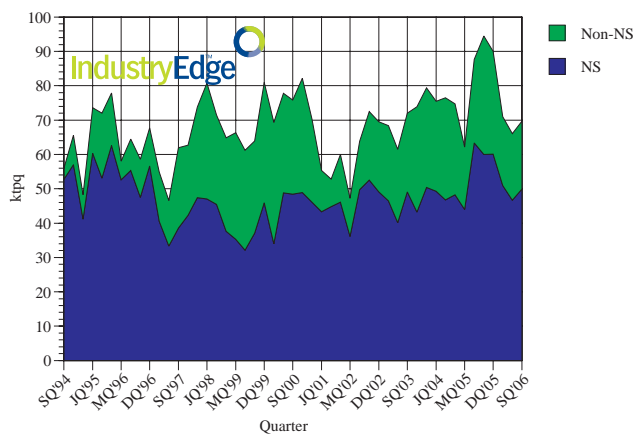
Newsprint Imports by Country of Origin: SQ'94 - SQ'06 (ktpq)



Source: ABS

Imports of newsprint remained close to or above 90 kt per quarter for the last three quarters of 2005 in the lead up to the Norske Skog Albury shut for the upgrade in early 2006. Import volumes have since fallen back to below 70 ktpq. Almost 75% continues to come from New Zealand.

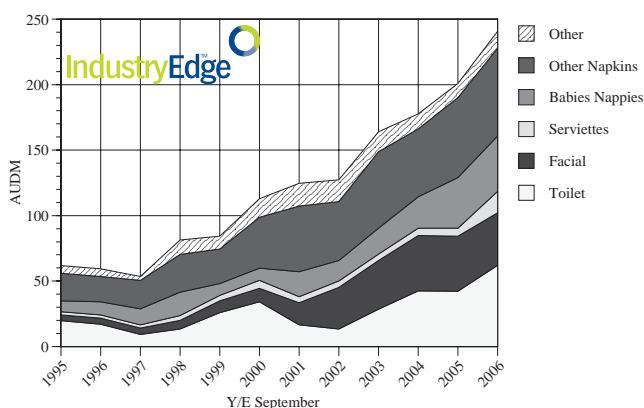
Norske Skog - Non-Norske Skog Imports: SQ'94 - SQ'06 (ktpq)



Source: ABS

Even though Norske Skog mills are considered as separate business units and need to compete against each other for sales, imports divided between Norske Skog and non-Norske Skog countries show that only 28% of shipments were from non-Norske Skog countries.

Imports of Converted Tissue Products: 1995 – 2006 (AUDM)



Source: ABS

Since year ending SQ'02, the value of imported babies nappies has been increasing at an average rate of 28% pa, and for other napkins, which includes fem care and bladder control pads. The value of imported products has been rising at a slightly slower rate of 11% pa.

The commissioning of the ABC Tissue machine in Sydney in first quarter 2007 is expected to have some downward impact on the value of imported converted tissue products, however, to

what extent it is uncertain since ABC Tissue is presently a major importer of tissue stock and not converted products.

The balance of trade in converted tissue products has been deteriorating for a decade, reaching almost AUDFob200M in financial year 2005-06.

More than 50% of imports are from New Zealand, being SCA bringing products in, however, there are also increasing volumes beginning to arrive from China.

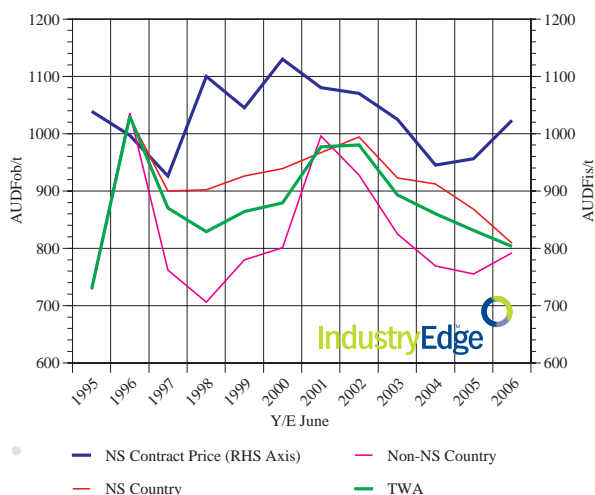
TRACING PAPERS

Tracing Papers is a joint venture between Appita and Covey Consulting and provides summaries of articles from the main industry journals and magazines for the pulp and paper sector.

Abstracts of the significant articles are written and emailed to subscribers as an html file. Each abstract has a 'Submit' button which the subscriber can click to order a copy of the full paper.

There are ten issues per year. If you are interested you should contact info@appita.com.au.

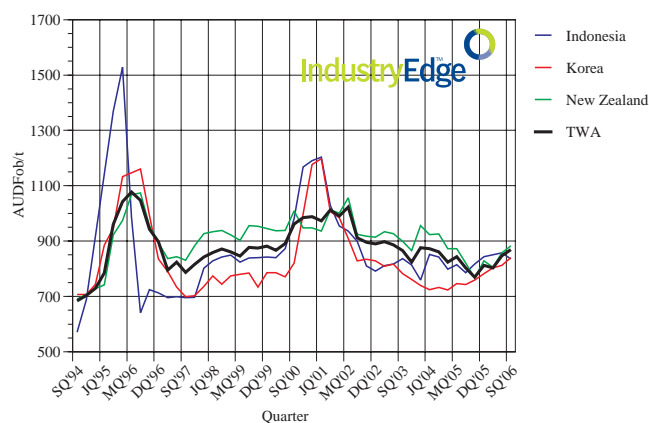
Comparative Newsprint Prices: 1995 - 2006 (AUDFob/t & AUDFis/t)



Source: ABS & Norske Skog

On an annual basis for year ending June, the trade weighted average price has been trending down since 2001-02, having fallen AUD177/t or 18%. Even though the Norske Skog contract price rose in 2005-06, over the same period since 2001-02, it declined by AUD47/t or 4.4%.

Newsprint Imports by Country of Origin: SQ'94 - SQ'06 (AUDFob/t)



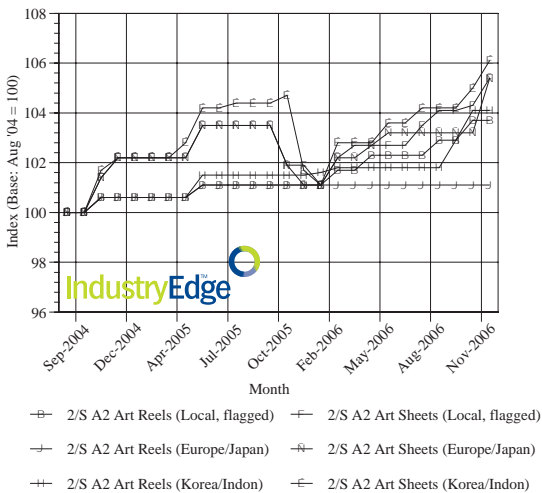
Source: ABS

When import prices are considered on a quarterly basis, the analysis shows trade weighted average prices have been improving over the last five quarters. The average annual price for last year was dragged down by the very low price of AUDFob769/t in the SQ'05. By SQ'06, the average price has risen exactly AUDFob100/t.

Pulp & Paper Market Edge November 2006

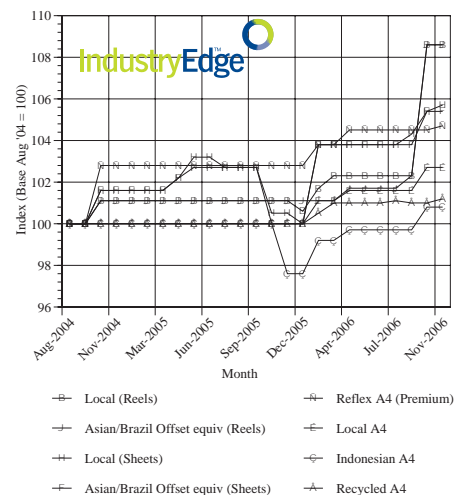
Grade	Specification	Weight	Form	Monthly Prices		12 months
		(gsm)		Current	Previous	ago
Printing & Communication						
Newsprint	Norske Skog Announced Price	45	Reels	\$ 1 023	\$ 1 023	\$956
Uncoated Mechanicals	S/C Mech Offset (Sweden)	56	Reels	\$1 335	\$1 285	\$1 240
	Norske Skog Norstar	52	Reels	\$1 141	\$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	\$1 650
	Local Acclaim Lick-coated Offset	54 - 60	Reels	\$1 530	\$1 515	\$1 500
Packaging Grades						
Coated Cartonboard	1/S Solid Bleach Board (USA)	350um+	Reels	\$1 500	\$1 500	\$1 814
	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	\$1 250	\$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	\$ 917	\$ 917	\$908
	Testliner	150	Reels	\$ 813	\$ 811	\$ 795
Sack kraft	Semi extensible	70/80	Reels	\$1 392	\$1 380	\$1 302
	Flat Sack Brown	80	Reels	\$1 368	\$1 359	\$1 273
Fibre Resource						
Wastepaper	ONP - No 8 De-inking Australia into Asia			\$ 122	\$ 132	\$ 130
	ONP - No 8 De-inking USA into Asia			USD \$163	USD \$143	USD \$143
	ONP - No 8 De-inking Japan into Asia			USD \$153	USD \$143	USD \$148
	ONP - No 8 De-inking Europe into Asia			USD \$140	USD \$136	USD \$128
Pulp	NBSK Landed		Bales	USD \$730	USD \$730	USD \$600
	Bleached Eucalypt Landed		Bales	USD \$670	USD \$670	USD \$600

Indexed CWF Prices: Aug '04 - Nov '06



Source: IndustryEdge research

Indexed UCWF Prices: Aug '04 - Nov '06



Source: IndustryEdge research