Dear Mr Quinlivan,

Thank you for the invitation to attend the Industry Roundtable discussion in Hobart on Tuesday 10 December 2013 and the opportunity to provide the attached preliminary submission to the Inquiry into Tasmania’s Shipping Costs and Competitiveness of Tasmania’s Freight Industry.

On behalf of Norske Skog’s Boyer Mill, I welcome the review and the opportunity to contribute towards making the Tasmanian Freight Equalisation Scheme as efficient as possible in delivering true equalisation of freight costs for the benefit of Tasmanians and the industries which operate here. It is hoped your Inquiry will provide improved security of tenure of the Scheme for all participants, achieve greater transparency and provide a framework for regular reviews of assistance parameters to ensure the integrity of the scheme is upheld. We also welcome the fact that thorough consideration will be given to options to help address the serious problems and significant inequities faced by Tasmanian exporters in the absence of a direct shipping service(s) to our overseas markets. This latter issue is critical for businesses such as ours, who are reliant on efficient export freight arrangements as one important component of building sustainable business operations from a Tasmanian base.

Given the tight timelines for your review, Norske Skog plans to make a further submission once the State Government’s freight report is released on 17 December 2013. This more detailed submission will comprise both a public and a Commercial in Confidence section.

I repeat the invitation made at the Industry Roundtable for you and any of your colleagues to visit the Boyer Mill at any time to review our freight arrangements and to raise any technical, commercial or other questions that you may have. Indeed I would encourage Commission staff to visit a range of both large and small Tasmanian exporters to see firsthand the steps taken to achieve the lowest possible freight costs in order to compete and survive in world markets.

Please do not hesitate to contact myself or Arnold Willems at any time if we may be of assistance.

Yours sincerely,

Copy To:
Treasurer, Hon Joe Hockey MHR
Rod Bender
Minister for Infrastructure, Hon Warren Truss MHR
General Manager
Member for Lyons, Eric Hutchinson MHR
Boyer Mill
Tasmanian Minster for Economic Development and Infrastructure, Hon David O’Byrne MHA
Senator the Hon Eric Abetz
Senator the Hon Richard Colbeck
Submission to Productivity Commission Inquiry into Tasmania’s Shipping Costs and Competitiveness of Tasmania’s Freight

December 2013
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1. **Executive Summary**

This submission is in response to the recently announced Productivity Commission’s “Inquiry into Tasmania’s Shipping Costs and Competitiveness of Tasmania’s Freight Industry”. Norske Skog supports the inquiry, along with the retention of the Tasmanian Freight Equalisation Scheme (TFES) and its continued administration by the Commonwealth Government.

Norske Skog believes the current scheme goes some way towards delivering on its stated objective of being a “cost equalisation scheme to alleviate the freight cost disadvantage incurred by shippers of eligible non-bulk goods moved between the mainland and Tasmania by sea”, but importantly falls short of equalising costs to the full extent of the disadvantage.

Whereas manufacturers in other parts of Australia have the option of at least two competing modes of transport such as road, rail and sometimes sea, Tasmanian industry has no alternative but to use sea freight for the crossing of Bass Strait combined with land based transport modes in Tasmania to reach the port of departure.

The transport system used by Norske Skog to transport paper products from Tasmania to its domestic customer base around Australia, as well as to the growing customer base in Asia is designed to provide the best/lowest cost/most efficient system for transporting our products across Bass Strait. It is not influenced by the availability or level of TFES assistance.

Information and analysis contained in this submission and to be provided in our supplementary submission demonstrates that Tasmanian manufacturers such as the Boyer Mill continue to suffer a significant freight cost disadvantage compared to similar transport tasks on the Australian mainland. Supporting evidence is provided in relation to “Wharf to Wharf” freight costs and the additional costs associated with shipping from Tasmania. Further information is also provided in relation to comparable mainland transport costs from Norske Skog’s Albury Mill for identical product into the same market. Similarly, evidence is also provided on the freight comparisons for product being shipped into Asian destinations.

Norske Skog would be very concerned if the Commonwealth Government sought to use the current review as justification to reduce TFES assistance. Any reduction in assistance would have major negative impacts on Tasmanian industry and the Tasmanian and Australian economies. Given the capital intensity of manufacturing industry (including papermaking) it would be a misguided assumption to suggest that loss of capacity and jobs in Tasmania would be matched by new capacity and increased employment on the Australian mainland. The reality is that any lost production could be supplied from under-utilised capacity overseas, such as Korea, Indonesia, Europe and North America, from which there is already significant competition for domestic newsprint sales in Australia.

Rather than increase the level of risk and uncertainty to industry, the Commonwealth Government should seek to leverage the benefits of TFES by maintaining its support for the current scheme and providing increased certainty, which industry can use as the basis to help justify ongoing capital investment in the State. Serious consideration should also be given to extending the current scheme to included products manufactured in Tasmania that are destined for overseas markets. This should include a high level, long term assessment of options including the provision of “TFES Like” support for those volumes, as well as reviewing options of attracting an international shipping organisation to operate out of a suitable Tasmanian port.

Norske Skog is not aware of any areas of rorting, leakage or non-compliance with existing TFES rules, but believes that if such practices do occur then they should and can be dealt with under the current scheme, without the need to make fundamental changes or amendments that may risk penalising other TFES participants.
2. Overview of Norske Skog and the Boyer Mill

Norske Skog

Norske Skog is a world-leading producer of newsprint and magazine paper, with 10 wholly and partly owned mills in 9 countries. (Compared to 2006 when there were 24 mills in 15 countries, highlighting the stresses in our industry generally and specifically for Norske Skog) Newsprint and magazine paper grades are sold to over 80 countries. The Norske Skog group has over 3,500 employees.

Norske Skog’s mills and sales network confer a unique position. Local market presence and knowledge combined with Norske Skog's global strength distinguish it from other paper companies.

The world market for newsprint and magazine paper is about 60 million tonnes, and the group has about 10% and 5% of these segments respectively. The group’s operating revenue in 2012/13 was approximately NOK 15 billion.

Vision, Goal and Strategy

Norske Skog is recognised as a world leader in the paper industry. The goal is to deliver the best shareholder value in the industry. To reach this objective, the company has opted to be a low-cost producer, pursue profitable growth while focussing on its core business, newsprint and magazine paper.

Values

All interactions at Norske Skog are based on three core values: openness, honesty and cooperation. Its success as a global company builds on cooperation between different cultures and values.

Australasian Regional Operations

Norske Skog has three paper mills in Australasia; Boyer in Tasmania, Albury in New South Wales and Tasman in New Zealand. Together these mills have an annual capacity of approximately 680,000 tonnes of newsprint and related grades, with sales worth over $600 million.

Since the late eighties, Norske Skog has been actively involved in wastepaper recycling in Australia. Today, its Recycled Fibre Division collects over 120,000 tonnes of paper each year. Most of this is recycled at Norske Skog Albury, with the balance sold to other local paper producers or exported.

Norske Skog Boyer Mill

Norske Skog Boyer is a significant contributor to the Tasmanian and Australian economies, with annual production of around 250,000 tonnes. This represents about 40% of the newsprint and related grades used in Australia each year. 60% of this production is transported to mainland Australia customers, around 4% is sold within Tasmania, while a growing component of total production, today representing around 36% (and growing) is sold into Asian markets in US currency against commodity newsprint supplies from major producers in Europe, North America and Asia.

The Boyer Mill is situated alongside the Derwent River, 36km upstream from Hobart and slightly below the township of New Norfolk. It produced Australia’s first newsprint in 1941 and remains one of Tasmania's largest employers, operating 24 hours a day, seven days per week, and 52 weeks of the year.

The economic benefits to the Tasmanian economy extend far beyond the local community in the Derwent Valley. The Boyer Mill is a significant customer for Tasmania’s hydro electricity and thermal coal, with the mill representing around 100Mw of continuous electricity demand and consuming 90,000 tonnes per annum of coal sourced from Tasmania’s Fingal Valley.
As one of Tasmania’s largest remaining private companies operating in the forestry sector, Norske Skog has demonstrated a strong, proud commitment to the forest industry. Norske Skog Boyer consumes over 600,000 tonnes per annum of radiata pine and owns/manages a forestry estate covering over 22,000 ha, from which it sources over 60% of its total fibre needs. The remaining fibre is sourced from other forest assets within Tasmania, with all the fibre transported largely by road to the Boyer Mill. Fibre sources are certified to both Australian Forestry Standards (AFS – aligned with the global certification scheme PEFC) as well as having recently achieved certification under the Forest Stewardship Councils (FSC) certification standard for both Forest Management and Chain of Custody Management.

Norske Skog Boyer has clearly demonstrated a strong commitment to supporting local employment and to the Tasmanian and Australian economies. While total revenue is approximately $200 million pa, local expenditure on wages/salaries, goods and services is over $145 million annually. This includes $36 million on wages and a further $109 million on goods and services used in the manufacturing process, such as electricity, coal, wood (royalties, harvesting and transport) and rail transport within the State. This expenditure does not include other costs such as depreciation, mainland distribution costs, finance charges etc.

Not insignificant in value and in addition to the above is the benefit that flows from the Boyer Mill’s strategic capital expenditure program. Over the past 7 years (since the last Productivity Commission’s Review of TFES in 2006) strategic capital expenditure has totalled over $165 million. Significant amounts of this are spent locally, with this being given significant focus and priority by the local management team.

Norske Skog Boyer is an integrated mechanical pulp and paper mill having three thermo-mechanical pulping plants and two paper machines, PM2 and PM3. (PM1, the original machine installed in 1941 was removed shortly after being de-commissioned in 1990). The paper machines are approximately 6m wide and run at speeds in excess of 65km/hr, producing around 715 tonnes of paper each day. The daily production represents over 3,100km of paper, 6 meters wide which if rolled out would reach between Melbourne and Perth. It would take less than 2 weeks to cover the circumference of the earth.

Norske Skog Boyer produces a range of paper grades, including newsprint, book paper and uncoated, high brightness specialty grades suitable for offset colour printing. It is currently executing an $85 million capital conversion of PM2 to enable to production of light weight coated (LWC) papers for the domestic catalogue and magazine markets. Once commissioned in April 2014 the machine will produce around 140,000 tonnes per annum of LWC. This paper is currently wholly imported from overseas producers.

Norske Skog Boyer is a major customer of Tasmania’s rail networks as well as Bass Strait shipping, contributing significantly to the viability of operations. With approximately 1 million tonnes per annum of finished product and raw materials transported into and from the Boyer Mill
Competition in the Market Place

Newsprint is an internationally traded commodity with its price dictated by global demand and supply. Although Norske Skog is Australia’s only domestic newsprint manufacturer there is intense competition in the market place from other international players. Newsprint produced in Australia has no tariff or other trade protection.

Norske Skog’s newsprint contracts in Australasia contain a pricing formula that reflects global market conditions for this commodity product. These contracts do not allow the company to pass on any changes in costs.

The chart below shows an index of the newsprint price that Norske Skog Boyer Mill has received in nominal dollars since 1995.

![Australian Newsprint Price Index - Boyer Mill](image)

The chart shows that although the newsprint price fluctuates over time, in nominal terms there has been a significant decrease in price of 26% over the last 17 years, an average of 1.5% per annum. In real terms this is significantly larger at around 3.5 to 4% reduction year on year. This significant downward pressure on newsprint prices is evidence of the commercial pressure under which Norske Skog operates, fundamentally driven by a global declining demand for the commodity, including within Australia and subsequent production capacity surpluses.

To remain competitive in this industry, it is therefore essential to maintain tight controls on all costs and to continuously seek opportunities for improvement. With freight and logistics charges at the Boyer Mill representing over 20% of total operating costs, it is imperative that Boyer achieve the best/most efficient/lowest cost transport arrangements possible across Bass Strait.
3. Transport Networks

Boyer Mill Transport Network

As part of the company’s continuous improvement program, a partnership was established in 1994 with a consortium of specialist transport service providers. This group distributes finished product from the Boyer and Albury Mills to Norske Skog’s customers around Australia. They also manage the international freight task that has become an increasing part of Norske Skog’s business in Australia as the decline in the domestic market has accelerated since the GFC.

The approach applied at the Boyer Mill is designed to provide the best/most efficient/lowest cost system for transporting newsprint and related paper grades across Bass Strait, as well as facilitating efficient transport and handling into a variety of Asian destinations. It is not influenced by the availability or level of TFES assistance.

The freight task from the Boyer Mill in Tasmania to mainland markets has been optimised to ensure the most cost effective alternatives are in use for different routes to market. Considerations in this regard are focussed on maximising stowage, minimising product damage and preventing demurrage charges, etc.

There are basically three shipping methods, each aimed at delivering the overall best outcome given considerations like those previously mentioned;

- Victorian metropolitan customers are supplied by paper shipped in S-Boxes. These S-Boxes were first developed during a period in time when the Boyer Mill received 100,000 tonnes per annum of Recycled Fibre (RCF) from the Albury Mill Recycling Plant. Since 2008 this fibre supply has been halted due to rising production and freight costs and the decline in end product demand not requiring full production from the Boyer assets (current Boyer Mill capacity 250,000 t/yr, was previously 295,000 t/yr). The S-Box assets have the unique feature of skate track floor profile, which allows full container loads to be skate inserted and withdrawn, dramatically speeding up handling processes at each end while minimising product damage (fig 1). In order to ensure the overall freight charges to Norske Skog remain as low as possible, Norske Skog releases the empty S-Box units to a Bass Strait shipping company who utilise these to back load their own freight into Tasmania. This ensures better utilisation of Norske Skog’s and the shipping company’s assets.

- 40’ Containers (FEU’s) are used to ship product into destinations where coastal shipping lines are utilised beyond the Port of Melbourne, at least to the extent that transit slots are available. Destinations are typically Western Australia (through Fremantle), Queensland (through Brisbane) and South Australia (through Adelaide).

- 20’ Containers (TEU’s) are used to ship products to the remaining customers throughout Australia.

Exceptions to the above are Tasmanian sales which are typically in the order of 10,000 tonnes per annum and are transported to the three main customer sites utilising a local contract trucking service. The frequency of deliveries is typically once per week.

The approximate balance of FEU’s, TEU’s and S-Boxes (which are TEU equivalent) shipped per annum over the past three years transported out of Tasmania is shown in table 1 below for clarity. These figures are inclusive of all exports from Tasmania, including both domestic and international export volumes.

<table>
<thead>
<tr>
<th></th>
<th>FEU</th>
<th>TEU</th>
<th>SBOX (TEU equiv)</th>
<th>Total TEU’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010/11</td>
<td>6334</td>
<td>5748</td>
<td>694</td>
<td>19110</td>
</tr>
<tr>
<td>2011/12</td>
<td>6570</td>
<td>4333</td>
<td>943</td>
<td>18416</td>
</tr>
<tr>
<td>2012/13</td>
<td>7351</td>
<td>3023</td>
<td>428</td>
<td>18153</td>
</tr>
</tbody>
</table>

*Table 1.* Balance between S-Boxes, TEU’s and FEU’s – total units exported from Tasmania
Given 96% of all production is shipped across Bass Strait, the Boyer Mill has a clear reliance on moving its freight as efficiently as possible between the Mill, near Hobart to the Port of Burnie on Tasmania’s North West Coast. This is undertaken with the support of TasRail which represents a vital link in Boyer’s inbound and outbound freight task. Rail freight between the Mill warehouse hardstand and the Port of Burnie offers the lowest cost option to move large volumes of containerised product in an efficient manner, while also removing the significant freight volumes from the Tasmanian road network.

All sales volumes destined for markets outside Tasmania are transported by TasRail on a dedicated northbound train to Burnie leaving the Boyer Mill 6 days per week. Loaded TEU’s and FEU’s as well as S-Boxes are assembled outside the warehouse (fig 2) ready to be loaded onto the train with large 40 tonne forklifts (fig 2). Once in Burnie the units are cross docked onto Maffi trailers and loaded for overnight service to Port of Melbourne utilising the service of our Bass Strait shipping partner Toll ANL Bass Strait Shipping. Once the ship has arrived in the Port of Melbourne the containers are unloaded onto the wharf and then loaded onto trucks to be delivered directly to customer’s warehouse wherever and whenever possible or into staging warehouses leased by our logistics partners.
Fig 2. Shipping units assembled on warehouse “hardstand” ready for loading of daily train to Burnie Port. 40 foot forklift loading TasRail train prior to departure and transit to Burnie.

Albury Mill Transport Network

As noted earlier Norske Skog also has a second Australian production facility in Albury NSW. As the overall distribution task between Boyer and Albury Mills are almost identical, including overall volumes produced and shipped, individual roll packs that are identical sizes and weights, then comparisons between the two operations provide significant insight into the differences in costs associated with Bass Strait and the associated intermodal costs.

The Albury network is significantly simpler, allowing Mill to customer freight movements by road freight only, requiring fewer handling steps and not requiring the “containerisation” of the reels, except as increasing volumes are being shipped from Albury Mill into Asia.

Paper reels are loaded directly by a skate dock onto high productivity trucks (figs. 3, 4 and 5). These are then transported directly to the customer’s warehouse and unloaded using a skate dock. (fig. 6)

In addition using this mode of transport (as compared to that needed across Bass Strait) enables more opportunities for the capture of back loading volumes, thus significantly reducing overall transport costs. Examples of these are shown in figures 7 & 8.
Fig 3. Newsprint reels being loaded via a skate dock.

Fig 4. Loaded high productivity B-Double truck.

Fig 5. B-Double truck transporting newsprint direct to customers.
**Fig 6.** Skate unloading from B-Double truck at a customer site

**Fig 7.** Many of the paper truck deliveries from the Albury Mill are then back loaded with waste paper for recycling at the Albury Mill

**Fig 8.** Truck/trailer (MEPA) transports chemicals (lower layer) to the Albury Mill and then back loads with Paper.
Overview - Freight Route Comparisons

The following schematics show the significant differences between the Boyer Mill, with the need to transport across Bass Strait, and Albury Mill where the freight task is land based.

Boyer to Melbourne Customer

At the wharf further activity is involved and Norske Skog’s wharf to wharf definition is represented below.

Albury to Melbourne Customer
4. TFES Statistics

The following section shows TFES assistance and other key statistics over the period from 1999/00 to 2012/13. Further information and analysis is contained in a confidential submission to the Productivity Commission.

4.1 Total TFES Assistance

The above graph shows that beyond 1999/00 assistance received by the Boyer Mill increased at a much slower rate than total assistance provided under the Commonwealth scheme as well as being lower than movements in the Consumer Price Index until a break point occurred in 2006/07. Following this time several factors changed the profile of TFES claims for the Boyer Mill. Key among these were a reduction of imports to Tasmania of recycled fibre from our Albury Mill (due to the relatively higher delivered costs of the fibre including shipping costs), and the emergence of accelerated declines in domestic newsprint demand, as well as increased competition in the domestic market leading to loss of domestic sales for the Boyer Mill. These factors lead to production curtailments taken in each year since then.

The further acceleration of market decline evident since the GFC has additionally lead to a changing customer profile, with significant volumes of international sales (mostly to Asian destinations) from the Boyer Mill being taken up in order to match production capacity while domestic sales declined. In 2013, almost 35% of production is being sold into the Asian market.

It should be noted that this is a significant driver of the challenges faced by the Boyer Mill over the past 4 years. The growing exposure to commodity sales in the oversupplied Asian newsprint market, emerged right at a time as international shipping services became unavailable from the State, foreign exchange rates climbed and peaked at historical highs.

With this exposure to increasing exports as the emerging context for our business over the past five years, and despite the increasing volumes of newsprint products being transported to Asia over that period being identical in every way to those shipped to the domestic market (same product, same size, same weight, moved in identical containers, on the same train, to the same port, shipped across Bass Strait on the same service and unloaded in Melbourne onto the same wharf) the Boyer Mill’s total TFES support has significantly reduced.

It is this that makes it difficult to understand why TFES can not apply to these volumes. If the TFES scheme is to effectively equalise the costs of moving freight across the Bass Strait corridor, as if road infrastructure existed, then this should equally apply to goods moved to Melbourne for export, as well as to those goods shipped for domestic consumption, particularly while no option exists for direct export from Tasmania.
4.2 Quantities Shipped

The above charts show the total number of TEU equivalents shipped across Bass Strait over the last 14 years. It should be noted that the significant reduction of southbound TEU’s is directly associated with the decision to remove recycled fibre from the Boyer furnish (as mentioned in the previous section) Southbound TEU volumes are now so small they do not show clearly on the chart above and have been removed from the data sets that follow.

The above charts show that the number of TFES eligible TEU equivalents shipped across Bass Strait has dramatically decreased over the past 5 years by around 60%. This is due to a combination of factors as described in the previous section, 4.1. (decreasing volumes of southbound production inputs, domestic market declines, increased competition in the domestic market, further accelerated market declines post GFC and the emerging need to export to international destinations.)
The above graph shows that the number of tonnes per TEU equivalent has slightly increased over more than a decade. While some optimisation has been possible, the limiting factors in this regard are total mass limits on road freight sectors and available customer roll size/weight combinations.

4.3 Assistance per TEU

The above graph shows that overall, since 1999/00 the rate of assistance on northbound freight and the overall rate of assistance per tonne have increased at an average rate closer to, but still below CPI. The most recent increase, between 2011/12 and 2012/13 has been due to decreasing volumes shipped to customers in Victoria from Boyer as the domestic market declines require our overall shipping patterns to be optimised. The increase is a result of the fixed costs associated with the use of S-Boxes being covered by fewer TEU movements for this particular route (lower utilisation of dedicated assets). Costs associated with this will reduce significantly next year following the $85 million capital upgrade of Boyer PM2 to produce LWC, with a significant increase in the volumes planned to be shipped to Melbourne as a result.
4.4 Wharf to Wharf Costs

The above graph shows the change in the Boyer Mill’s Wharf-to-Wharf TFES claims between 1999/00 and 2012/13 compared to changes in the Consumer Price Index. While Wharf-to-Wharf costs have increased in actual dollar terms they have fallen in real terms. Comparisons with road freight rates out of our Albury Mill show similar increases relative to CPI, however the total costs remain higher for the freight task out of our Tasmanian operation.
5. Freight Cost Disadvantage

Analysis of freight costs paid by Norske Skog Boyer, compared to similar transport tasks on the mainland, clearly show an ongoing freight cost disadvantage, notwithstanding all our efforts to contain costs in conjunction with our logistics suppliers.

If there was a land bridge to the mainland, the Boyer Mill could transport paper to its Melbourne customers for approximately 27% less than the current cost including the benefit of TFES. This would be a much more significant impost, at around 57% if the current level of TFES assistance did not exist. It can therefore be concluded that while TFES payments meet part of the additional cost, they do not fully ‘equalise’ for the whole difference and the difference remains substantial.

Whereas manufacturers in other parts of Australia have the option of at least two competing modes of transport (road, rail and sometimes sea) Tasmanian industry has no alternative but to use sea.

The transport system used by Norske Skog in Tasmania is designed to provide the best/most efficient system for transporting our product across Bass Strait. It is not influenced by the availability or level of TFES assistance.

Confidential information will be provided to the Productivity Commission to substantiate the above statements. This material includes detailed information concerning comparative market based road transport rates for similar freight tasks (distance, product and service). It also includes estimates of “scaled up” costs for the delivery of paper over the same distance as Boyer to Melbourne and details of the higher costs due to “intermodal” costs.

6. Importance and Effectiveness of Current Scheme

Norske Skog believes the current scheme goes some way towards delivering on its stated objective of being a “cost equalisation scheme to alleviate the freight cost disadvantage incurred by shippers of eligible non-bulk goods moved between the mainland and Tasmania by sea”, but importantly falls short of equalising costs to the full extent of the disadvantage.

Any reduction or withdrawal of TFES assistance would significantly impact on the delivered cost of paper to Australian mainland domestic customers from the Boyer Mill, particularly given the cost impost that crossing Bass Strait already represents even within the existing TFES.

More importantly any reduction in assistance would jeopardise Norske Skog’s ability to operate a sustainable business in Tasmania. Recent major capital investments have all been predicated on the ongoing bilateral support for the TFES and would definitely not have been approved had the scheme not existed or had been diminished. This investment totals over $165 million over the past 7 years, most of which has been spent locally in Tasmania. This is over an above the $145 million spent directly in Tasmania each year as part of the ongoing Mill operations.

It is a very bold assumption to suggest that capacity and job losses in Tasmania would be matched by new capacity and increased employment on the Australian mainland. The reality is that lost production could be met from under-utilised or new capacity overseas, such as Indonesia, China and Korea.

Norske Skog is not aware of any areas of rorting, leakage or non-compliance with existing TFES rules, but believes that if such practices do occur then they can and should be appropriately dealt with, without the need to amend the fundamental principles of the scheme.
7. Administrative Arrangements

Notwithstanding the large volumes transported each year, Norske Skog’s TFES claims are straightforward to prepare. First, because the company has integrated business management systems and processes that supply the required information and secondly due to the consistency of tonnages transported each month to regular destinations. In effect, there is one bulk claim per month for the majority of product.

The time taken by Norske Skog Boyer personnel to prepare the monthly TFES claim is around 6 hours. The ability to submit a single claim minimises the administrative cost to all parties. There is no ‘third party’ administrative involvement, reducing the cost and time taken to submit claims and receipts. This streamline process results in 100% of the schemes benefits being realised by the Boyer Mill to offset the transport cost disadvantage across Bass Strait.

In accordance with the Ministerial Directions covering the administration of TFES, Norske Skog has a signed Agreement with Centrelink covering self-assessment arrangements that are supported by regular independent professional audits.

Norske Skog’s experience is that the claims system works very well and has never presented any problems.

We wish to acknowledge the professional, friendly and efficient manner in which claims are dealt with by Centrelink staff in the Hobart Office.

Over past years a number of companies and industry groups put forward suggestions to improve current arrangements and address the perception of sortting, leakage or gaming. We believe there is virtually unanimous support for a system based on –

- Improved auditing and investigation of claims that appear to be excessive when compared to claims made by similar sized claimants for similar products
- Greater transparency, including the publication of more comprehensive annual data and reporting of annual payments to recipient companies
- Agreed annual adjustment mechanism

8. Confidential Material

As requested by the Productivity Commission, every effort has been made to include as much detail as possible in this public submission. A separate document will also be provided to the Productivity Commission in relation to material that is regarded as “commercial in confidence”.

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