



6 October 2009

The Manager - Listings
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Via electronic lodgement

Dear Sir,

**CHEP USA ANNOUNCES NEW SERVICE AND QUALITY OFFER TO MEET NEXT
GENERATION USA SUPPLY CHAIN NEEDS**

Attached is a release to the Exchange from Brambles Limited regarding the above.

Yours faithfully
Brambles Limited

Robert Gerrard
Company Secretary

**CHEP USA ANNOUNCES NEW SERVICE AND QUALITY OFFER TO MEET
NEXT GENERATION USA SUPPLY CHAIN NEEDS**

- ***Quantum shift to superior wood pallet platform addresses customer segmentation via introduction of “US Plus” and “US Premium” pallet specifications***
- ***Increased and realigned field-based sales force, and new systems, to drive improved levels of customer service***
- ***Cost efficiencies and pricing flexibility underpin new revenue and growth opportunities***
- ***Wood confirmed as the only sustainable pallet platform***

Brambles today launched a comprehensive new service and quality offer for CHEP USA to deliver immediate benefits to customers while addressing next generation supply chain needs, optimising costs and pricing, and best positioning the business for the medium to long term.

The new customer service and quality (“Better Everyday”) program is the culmination of an in-depth review of the CHEP USA business, which commenced in February 2009, and reflects extensive consultation and successful trials with major customers. The implementation of initiatives flowing from the CHEP USA review will further strengthen the business to capture a greater share of the US\$10 billion pallet market.

A central feature of the program is the introduction of a new “US Premium” pallet specification, to be fast-tracked over three years, to meet next generation supply chain trends. There will also be an immediate upgrading of the CHEP USA pallet pool to a new minimum standard level (“US Plus”). The two new pallet specifications are the result of rigorous analysis of market dynamics and will allow CHEP USA to segment its customer base according to customers’ evolving quality needs.

Other features of the Better Everyday program include: an increase in field-based sales resources; expansion of account management systems; and streamlining of administrative processes to improve the speed and quality with which CHEP USA responds to customer needs.

The program will involve an ongoing net cost of approximately US\$50 million¹ per annum. The fast-tracking of this program will allow CHEP USA to maximise growth opportunities and meet identified customer needs. This will result in additional costs totalling approximately US\$110 million over the next three years. Additional pricing and growth opportunities created by the new service and quality offering are not included in the planned net cost of the program.

Brambles Chief Executive Officer, Mike Ihlein, said the investment reflected the importance and value of CHEP USA as a core part of the global CHEP business. In the last 10 years the business has more than doubled in size. In the last five years alone, CHEP USA generated cash flow from operations of more than US\$1 billion, notwithstanding significant investment in new pallets during this period to meet the requirements of rapid growth. CHEP USA has a supply chain reach unparalleled in the USA.

Mr Ihlein said: “The program is a major, ongoing initiative for CHEP USA which builds on the fundamental strengths of our business model and network, and demonstrates our commitment to delivering new and enhanced service offerings and improved customer engagement.

¹ Net cost is pre-tax. The new program requires no material new capital expenditure.

“Our USA customers will see the impact of this commitment immediately. It will secure CHEP USA’s position with our customers and help drive significant growth over the medium to long term.”

Over the past two years, CHEP USA has been progressively implementing its significant US\$160 million pallet quality program. The average quality of the total USA pool has increased substantially with two-thirds of pallet issues already at the new superior US Plus quality level.

Following significant positive customer response, the US Plus pallet specification will be the minimum standard across substantially all of the USA pool by March 2010. This will further reduce product damage and production downtime for customers while still delivering the best overall supply chain solution. However, this will be done without any general price increases for customers in the next 12 months during the initial phase of implementation.

The new service and quality offering is being implemented immediately and directly addresses the key focus areas of the CHEP USA review, namely service offerings, pallet platform, pallet quality, service centre network, as well as cost and pricing.

Summary of the Better Everyday service and quality program

Better Everyday has been structured around customer-focused initiatives, as well as cost, pricing and growth opportunities, in five key areas:

1. Service quality – *unrivalled performance standards and ease of doing business*

- US-wide pallet availability and on-time delivery;
- Accelerated deployment of Portfolio+Plus, an innovative on-line tool developed as a global solution and already used extensively in Europe, that enables customers to simply and conveniently manage their accounts;
- Implementation of streamlined administration and simplified invoicing for customers.

2. Relationship quality – *significantly enhanced levels of customer engagement*

- Increase in field-based sales resources;
- Realignment of the field-based organisation to improve speed and responsiveness to customer needs.

3. Platform quality - *quantum uplift in total pallet pool quality delivering the best overall supply chain solution*

- By March 2010, substantially all of the CHEP USA pallet pool will be at “US Plus” specification delivering a significantly higher quality and consistency level to meet customer requirements:
 - All 93 full repair service centres will be certified to repair pallets to no less than US Plus specification;
 - Consistently deliver a uniformly high standard of pallet quality to match customer needs;
 - The risk of production downtime in customer facilities and product damage will be minimised.

- Introduction of a new “US Premium” pallet specification to meet next generation supply chain trends including increasing automation, lighter weight packaging and smaller pack sizes for many grocery products:
 - Developed in collaboration with major customers with significantly improved top and bottom deck coverage and leading edge boards;
 - Designed to be effective in the most demanding of automated facilities and packaging formats - extensive trials with major customers produced no known occurrences of production downtime or product damage;
 - Approximately three quarters of pallets in the USA pool are expected to be at the US Premium specification within three years.

4. Pricing and growth

- No general price increases in the next 12 months during the initial phase of implementation;
- Attractive pricing for existing customers to provide short-term revenue growth opportunity;
- Leverage network capabilities and additional sales staff to penetrate mid-sized customers;
- US Premium specification expected to facilitate additional pricing and volume growth over time.

5. Cost and network optimisation

- Targeted program to further reduce costs and deliver supply chain efficiencies, including continued expansion of LeanLogistics capability, demand planning and network optimisation and productivity initiatives with service centre and transport partners.

CHEP USA review confirms wood as the only sustainable pallet platform

Extensive product testing and customer research undertaken as part of the CHEP USA review concluded that wood is the only sustainable platform for the broad supply chain in the USA in the foreseeable future.

The raw material for CHEP wood pallets is a renewable resource obtained from sustainably managed forests. CHEP pallets offer the best supply chain solution for USA customers in terms of performance, economics and the environment. Trials of the US Premium pallet with major customers have demonstrated its effectiveness in the most demanding of automated facilities and packaging formats.

CHEP USA is constantly searching for innovative solutions to meet customers' ever changing requirements, with the CHEP Innovation Centre evaluating more than 80 alternative platform options in the past 12 months, including wood, plastic and metal-based products.

Although plastic is utilised in some situations – CHEP has approximately ten million plastic pallets out of 250 million pallets in total in use worldwide – it is only sustainable in “closed loop” or niche applications. In markets such as the USA, pooled wood pallets remain superior, delivering to the supply chain significant economic and environmental advantages over alternative platforms.

Financial impacts of the new service and quality offering

Since the beginning of 2008, CHEP USA has been investing a total of US\$160 million in a program to improve the average quality of its pallet pool. As at 30 June 2009, US\$107 million of the US\$160 million had been spent, with the remainder (expected to comprise US\$37 million of operating expense and US\$16 million capital expenditure) forecast to be completed during the first half of FY10.

The Better Everyday program builds on the US\$160 million pallet quality program and is designed to accelerate major enhancements to customer service and further significantly raise pallet quality to levels which will meet customers' needs well into the future.

The program will result in an ongoing net cost of approximately US\$50 million per annum designed to achieve and maintain the two new levels of pallet quality across the entire USA pool. The program will also incur planned additional costs of approximately US\$110 million in total over three years for fast-tracking of other elements of the program including introducing the US Premium quality pallet specification. The projected net operating costs for the program are set out in the table below and these, as well as the remaining \$US37 million operating expense for the \$US160 million pallet quality program, will be presented as part of Brambles' Underlying profit.

US\$m	FY10*	FY11	FY12	Ongoing
Ongoing costs	\$50m	\$50m	\$50m	\$50m
Additional costs (fast-track)	\$30m	\$50m	\$30m	–
Net pre-tax operating cost impact	\$80m	\$100m	\$80m	\$50m

*Excludes US\$37 million of operating expense in FY10 as part of the US\$160 million pallet quality investment program. The Better Everyday program requires no material new capital expenditure.

While the fast-tracked implementation of the program is expected to result in lower underlying profit margins in CHEP Americas until FY12, the program will deliver long term benefits to the business. The program is expected to enable CHEP Americas to return to strong and sustainable future operating margins in the mid-twenty percent range from FY13 due to operating leverage, efficiencies, volume growth and increased pricing flexibility.

Investing in the future

The enhanced service and quality offering, which has been tested and validated by a number of major customers, enables CHEP USA to meet customers' current and future needs while building stronger, long-term, value-adding relationships. It will deliver a quantum shift in the quality of CHEP USA's wood pallet platform, raising total pool quality to the highest in the USA.

This is supported by a realignment of field resources and a roll-out of simpler, technology-based customer solutions to drive new levels of service across the supply chain.

A targeted program to deliver cost efficiencies and pricing flexibility accompanying the introduction of the US Premium pallet underpins new revenue and growth opportunities.

Mr Ihlein said: "CHEP USA has delivered significant benefits to the supply chain over the 18 years since it introduced pallet pooling to the USA. Investment in the new offering builds on CHEP USA's existing platform, which has unparalleled reach in the USA, and will make us both stronger and more capable. The commitment to higher quality and service will not only meet existing customers' current and future needs but also open up new growth opportunities and markets within the US\$10 billion pallet industry as the economy recovers."

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Brambles is globally headquartered in Australia

For further information on Brambles and all company announcements, presentations and webcasts, please visit the company website www.brambles.com.

Certain statements made in this release are forward-looking statements. These forward-looking statements are not historical facts but rather are based on Brambles' current expectations, estimates and projections about the industry in which Brambles operates, and beliefs and assumptions. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of Brambles, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Brambles cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the view of Brambles only as of the date of this release. The forward-looking statements made in this release relate only to events as of the date on which the statements are made. Brambles will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this release except as required by law or by any appropriate regulatory authority.