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PRESENTATION

Tom Gorman - ***Brambles - CEO***

Morning everybody again and on behalf of the entire Brambles family, just say welcome to the 2010 Investor Market Briefing.

This is a great opportunity for us as - just I think it's about 18 months ago now that I was in a different role, but speaking many of you in Madrid when we talked about our European CHEP and Recall businesses at the time. As I said, it's very exciting for us to be here and it's pretty easy to tell who's who.

Those that are guests, you look like you're going to a wedding and everyone looks pretty happy and the funeral group is over here to our right. This is a little bit of my fault. I always think it's important that we have important guests that we put our best foot forward so, the dark suits over here - but believe me it's not indicative of the personalities of the team.

It's just a way of just sending a message to those of you that have really sacrificed so much of your time to be with us for the next couple of days.

It is going to be a very exciting couple of days from us and we are going to go through some details of our business. But I think the real benefit, having done this back in Madrid, is that you as investors, as brokers and bankers, really get an opportunity to meet our management, and that's really the benefit of the next couple of days.

It started last evening with a light welcome dinner and it will continue over the next couple of days, both at the normal breaks, Q&A sessions that we have, but tomorrow in particular with the site visits and so forth and so on. So it's a great opportunity for you to get to talk to more than just myself and Greg, as you normally do.

Just let me give you a sense of who is going to be here over the next couple of days, and then I'll get on to - we'll get right into it.

So from the Brambles team if you will - myself, Greg Hayes who you all know as our CFO, Cathy Press who is the head of our Capital Markets Group, oversees Investor Relations and Communications, as well as she does our treasury work, James Hall whom you met before and you all know James is intimately involved in our Investor Relations and then Louise is around somewhere, and she is here to assist us as need be.

The CHEP and the Recall team, well Elton will introduce his team to you in a few moments and then Jim will do the same. So we'll let them go through that.

Later this week, on Friday, there'll be a few more faces that you'll get to see as we talk about our business on the CHEP side in Latin America, Canada. Dan Dershem will be here from LeanLogistics. Kevin Shuba will be here as well to talk a little bit about our growth aspirations on the automotive side. So there is a big group of people that are here.

As for the guests, I think at last count we had something on the order of 45, and as part of that we have 27 different investors here today, 10 brokers and I think about 8 bankers. So it is a good group of people here that are interested in our company. Some of you have been following us for a very, very long time. So it's a great opportunity for us again to introduce our management.

What will you hear about today? It's really just pretty straight forward. The Recall North America side, we're going to take a deep dive into the business. So it's an education process of explaining how our business operates and we'll talk about the growth strategy that Elton and his team are driving, globally, but then more specifically with Mark and his team in North America.

Of course we'll go through the CHEP Americas in great detail as well later today and then with - a part of that is a focus on what we're doing on better every day. So a lot of the Americas discussion today will really focus on the three major planks of better every day. Each one of the leaders of those planks will be here and talk about what they're focused on and how we're making great progress.

Then we'll shift to more of a growth discussion and this will come really on Friday and in that opportunity we'll talk about the CHEP side of the business. We'll focus on what we're doing with the small and medium enterprises. So Karen will walk us through that. As I said, Kevin Shuba will be here to talk about automotive. LeanLogistics Dan Dershem and then emerging markets will be covered off at that time as well.

So it is a very full agenda over the next couple of days and of course tomorrow there are site visits. We'll give you a little bit more background on that from the direct presenters.

I recognize that many of us have travelled a long distance to be here, and throughout the day your energy level goes up and down. We will not be offended if you choose to stand up and stretch your legs or if you need to just step out for a moment. We've tried to plan as many breaks as possible, just to make it a little bit easier on Day 1. If our presenters happen to stand up and walk out, we might be less enthused with that but we'll hope that they can stay focused, but for you, if at any point in time you feel that the day's drawing a little bit heavily on you, feel free to stand up. That won't offend anybody.

So with that, I think we'll jump right in, if it's okay. It's a real pleasure of mine to introduce now and individual that I think many of you know. But Elton and I have been working together for - well we've been colleagues now for a couple of years, and I've had the pleasure of working with Elton now in a different role for almost a year. So with that, I'll pass it on to Elton Potts and he'll take you through Recall.

Elton Potts - ***Brambles - Group President & COO***

Thanks Tom, I appreciate it. Good morning everyone. Tim, if you'll go ahead and come on up, we'll get going here. So, as Tom said, he and I have had a chance to work together for of a couple of years. I've actually been with the Brambles team, going on nine years now. I spent five years on the CHEP side, and then I've been at Recall, going on four years. So I've got a unique opportunity to see both sides of the business.

So we've got a few things that we want to share with you this morning and we walk through the agenda with you first. So I'll give you some opening comments, from there, Allison Aden who's our Chief Financial Officer, will take you through a financial overview, and this will be from a global standpoint.

I should tell you that we put a lot of value in our people having operational experience. So Allison is also responsible for Brazil. So the country of Brazil, which is the only South American country that we operate in today, reports directly to Allison.

The reason I tell you that is our segment level reporting is at the Americas level and so you'll then, after we take some questions and answers and if you can hold your questions to the Q&A sessions that are planned, I would appreciate it.

After we take some questions and get our chance for morning tea or coffee, we'll hear from Mark Wesley, who is the head of our North America business, and he'll start out talking about the Americas and then his team will dive a bit deeper into North America.

So after Mark speaks, then we'll hear from Dan McFarland, who runs the Document Management Solutions business. After that we'll meet Tim McBride, with Secure Destruction and then Dick Surdykowski will talk about the sales team and the sales efforts in North America.

At that point we'll take Q&A again and then I'll come back up and talk about our global strategy, from a profitable growth standpoint and talk about some of the trends that are in the industry as well. Then we'll close out with questions at that time.

But one other thing that I should tell you is Recall is very proud of its customers, but we're in a security business, so you will not hear us tell you the names of our customers. We have a lot of customers, and we're going to show you a couple of case studies, but we will not be disclosing names.

I want to hit three key topics, as we go through this time this morning. First and foremost, we're pleased with our financial results. As you know, our North America business has been going through a bit of a turnaround and Mark will give you an update on that progress, but I can tell you that it's a key reason why our financials have improved. Then we're going to be absolutely focused on profitable growth and I hope those are the three key messages that you take away from your time with Recall this morning.

I've included in the packet that's in front of you my organizational chart and you can see the various persons and the roles that they're in. You'll also see people that have been with the business for 14 years, or who've been with the business for a year and we've got a nice mix of folks who have a lot of experience and some new people who are bringing in some fresh thinking as well.

In late 2007, after moving over to the Recall team, we put in place a relatively simple strategic pathway, and we wanted to be focused on those things we felt were most important, for the long term success of Recall.

Now, we said the first thing that we have to do is focus on our foundation, and so we put in place an effort tied to, what we called business excellence. Now many people would call this operational excellence, but we called it business excellence because it's not something that I want just the operations people to think that they're supposed to do.

I want everyone in the business to be focused on doing things in the best possible way. We have a culture of believing in there is a best way to do everything we do. Let's find the best way, so let's share best practices. Let's focus on continuous improvement and once we have best practice, roll it out around the world, so that we're consistent.

So we believe this foundation of business excellence which uses Six Sigma and Lean methodologies as a cornerstone, is absolutely the first thing that we have to do to make our business successful in the long run.

So you'll hear us talk about business excellence today and once we have that foundation in place, then we can focus on profitable growth. Profitable growth for us is to pursue the wonderful opportunities that are in front of us, including the trends in the industry and grow our business in a profitable way.

Finally, once we have those two things in place and hitting on all cylinders, then it's time to expand the offering.

Now as you can see, from the chart here, there are dates included. So in 2007, we started down that journey for business excellence. We've now launched into the profitable growth phase of our business, and you'll hear a lot about that from Dick, and from myself as well.

Tomorrow, when we have a chance to go to the Fontana site, we'll give you a little glimpse of the future with some things we're working on in the area of expanding the offering as well.

So Recall drives its revenue from three primary service lines. 70% of our global revenue comes from document management solutions and this is helping customers with the information life cycle - the information they have in their organizations, whether it be physical or digital, and it's cradle to growth. That makes up 70% of our total revenue.

20% of our revenue comes from secure destruction services. So this is when your information - when the useful life of your information is over for your organization, you want to securely destroy it, so that it doesn't become useful information for somebody else. But this business is not just about the secure destruction of paper. We also destroy media, like hard drives and tapes and things like that, and we destroy a variety of other items like uniforms for police and airline pilots, lottery tickets - all sorts of things like that are in the Secure Destruction area as well.

Finally, Data Protection Services, which is about 10% of our revenue, this is helping companies with their disaster recovery plans, or their business continuity plans. So it's having a very safe, very secure off site storage of the back-up of their computer systems. I guess there is no better example of why you would do this, than the earthquake that just hit Christchurch, because many businesses were thrown into, are my systems okay, can I get back up and running and by having an off-site set of that back-up with us, they know that they're protected.

That makes up, as I said, 10% of our revenue.

We operate in a market that is large and is growing, and the red circle here represents the physical market and depending upon the estimate, $30 billion, $45 billion of size globally and we're going to talk later about is this piece of the market growing or shrinking? We'll come back to that. But one of the key things is all the studies that we've done and others have done, tell us that roughly two thirds of that market are unvended. In other words, our primary competitors are companies that house the information themselves, or try to manage it themselves.

Then there is today, a digital market that is exploding, as new and new solutions come online every day, and as more and more companies express an interest in moving into keeping some of their information in a digital format. So it's very tough for us to measure a market that continues to grow. But the opportunity's there are immense, and we'll talk about that a bit more in a little, once we talk about profitable growth at the end.

At this time, I'd like for Allison to talk about our financials. Allison.

Allison Aden - *Recall - CFO*

Thank you Elton. Thank you all for joining us today. My name is Allison Aden, and I'm the Chief Financial Officer for Recall. I've been with the organization for about three years and prior to that I served in senior financial roles in US public companies, with a multi national reach.

This morning I'll be discussing the very positive financial results of operations that Recall produced in Fiscal 2010. A common theme throughout Brambles is that we focus on delivering on our commitments in our controlling the controllable aspects of our business.

The three messages that I wanted to give you today in our presentation as we focus around this common theme, customer satisfaction is a core element of our business and really core to any service business. Here at Recall, we've been listening to our customers and as a result we've responded by providing services that produce a stable and resilient revenue stream for our stakeholders.

Secondarily, we have delivered on our commitment of uplifting our profitability. This year alone, as you will see, we have taken CHEPs forward to improve on our service delivery and to take costs out of our service model.

Lastly, the key point that I'd like to leave with you today - I'd like to leave with you today, is a summary of our capital expenditure for 2010 and also our plans to expand in 2011 as we make investments for the future growth of our organization.

Recall's global footprint - go back one. This is an outline of Recall's global financial results for the year and I'm very pleased to present a business that's growing very healthy and strong.

Year over year sales growth is 2% constant revenue, represents a 1% price increase. This growth is a result of a minor price increase in the DMS business and the recovery of paper prices in SDS in the second half. Additionally, the contribution from net new sales, more than offset the organic volume decline in SDS due to weaker than expected recycled paper volume. The sale pipeline, which you'll hear more about during the North America presentation today, is very strong in both the underlying document management business, as well as the emerging digital markets. Margins for Recall have continued to improve and we continue to take costs out of the business.

On a constant currency basis, statutory operating profits improved a healthy $19 million - $18 million or 19% year over year and the profit improved by 2% to 19% - by 2% to 16%. I guess it's time to put the glasses on.

This is our global footprint and here you can see that we do business in over 23 countries, and this wide global footprint allows us really to provide services to our customers, both at a regional level, but then also to provide services for our ever growing customer base that is global.

So what's reported here are the full year 10 sales results by region. You can see that today's presentation will mainly focus on the Americas. The Americas is made up of North America and Brazil and has achieved a 7%, year over year, on constant reported currency basis.

This is a slide that Elton showed you earlier in the presentation and what's important here is that all three service lines - the document service managements, the secure destruction and data protection services, really provide us with two key streams of revenue. The storage business, that being document management services solution business, and the data protection services, provide us with a recurring storage stream or an annuity stream. We also derive transaction based revenue from all three of our revenue streams.

What's key here is that both the document management solution services and the data protection are what can provide us for attractive offerings, as we continue to see privacy and labour legislation continue across the globe.

This next slide is a depiction over the last nine years of how the combination of our annuity stream and our transaction stream have grown. As you can see, Recall has been able to perform a 10% growth CAGR over the last nine years - 8% CAGR over the last nine years and a 10% from our annuities stream and 7% from the transaction based stream.

What's important here to note is that the annuities stream continues to grow at an ever increasing rate and basically provides the foundation for the future of the business and the organization. On top of that, we add a very strong and - a very strong base of transactions that go through all of our service organization.

This slide really depicts profitability and cash flow and what it shows here is that we've had very tight fiscal controls over the organisation during the last three years. Due to these very disciplined tight fiscal controls, our cash throughput from our operations, from our underlying profit has really dropped through to the bottom line. This is a sign of a very, very healthy organisation and we look forward to seeing this kind of performance in the future.

I do want to make a note here that as Brambles discussed during their August press release, we will be making some additional capital investments in FY11 to help fuel the business for future growth.

This briefly outlines our diversified client base. Our top 10 clients produce 14% of our total revenue. So, while we are heavily focused on the financial services industry, we also service a wide variety of industries, such as insurance, retail, manufacturing, and government. So this gives us really, a nice platform to weather the storms that come through the economic tides and also to build upon cross synergies across clients that have a global presence.

Now let me switch real quick to the key metrics, or the key components really of our business. When we look at our business, these are the major components of what it takes to really drive our underlying sales growth. If you look at these, let's really formulate it into three sections.

We have our direct labour, our transportation, our service supplies, so that's really our service delivery. That's the cost to our business to deliver our quality service to our clients.

Secondarily, we have the costs of our facilities, which is our property lease and depreciation, and as we continue to grow in our organisation, monitoring this component of our organisation becomes ever more critical.

The last element here, the other operating expenses, that's really what drives - what stands behind the revenue generation of our business and helps drive it forward, along with the general and administrative support of the back office.

How do we control these expenses and how do we continue to drive our profitable underlying growth, that's key. We've been successful this year and what we want to do, and will be able to do, is through a metrics based, very costs focused approach, continue to deliver year over year growth not only in the revenue, but also in the underlying profit.

So we're going to take a few minutes and go through how we look at these costs and how we see actually us being able to add value to the business on a go forward basis.

So the first - sales revenue. When we look at the sale revenue, so the sales stream has come from the top services that we've already talked about, one of the ways that we really look at this, is revenue per sales employee.

What do we mean by that? Well what we mean is that for all of our employees, that either directly go out and touch the client, or provide some sort of client support, if we're able to bring in more revenue and through efficiencies in training, really become more efficient in this area, we will by definition drive down that cost.

You can see here that we've been able to bring in, on a consistent basis over four years now, improvements in this area, meaning that we can deliver more sales revenue to a bottom line, through the use of less people actually have to touch the back office client support and through more efficient sales effort.

Direct labour - a key to any service business is of course the direct labour. What we do at a very detailed level through again a metrics based approach, at an IC level and at all the secure destruction level, is we continue through Six Sigma approach, so we continually focus on a portion of the service delivery to drive costs that are in the system to be able to better respond to customer needs and it has been successful.

One of the key elements of the costs of our business, you can see that we've been successful year over year driving the costs down and this will continue. This will continue with our service base and our metrics based focus.

Transportation - another key component. Logistics, and what you'll hear about later today is one of the ways - actually a couple of the ways that we focus on taking costs out of the transportation portion of our business. So when we look at our routing, optimising our routing capabilities, obviously one way to take costs out since the majority of the transportation cost is fuel and vehicles. Also route density.

We're varying our Secure Destruction Services portion of the presentation today how we continue to work on improving our route density and therefore driving down, on an even scale basis our transportation cost.

Service supply is our key component of our business. There a kind of part of the engine that keeps the service delivery model going. We look at these on a daily basis at each of the regional locations and even further down at the IFC level. So each IC manager, when they come in every day, they have a report on their desk that says, have I - how am I utilising my service supplier costs vis-a-vis for the project revenue that I'm seeing on a regular basis. Is it time to take cost out? Is the revenue stream still coming? Are the two matched? And you can see here with this downwards slope, that's exactly what you'd expect. Not a huge spike up or down, but a slow gradual improvement as the metrics really take seat in the organisation.

Property Leases - a very key component of our business is to be able to monitor the size and growth of our facilities. For those of you that are familiar with our business, we need to be ahead of the intakes that we're going to receive from our client growth. So we monitor our pipeline. The sales team works very closely with the operations team, and we make sure that when it's time to have a large client intake, that there's racking space available.

There's a cost to that racking space. There's a cost to expanding the facilities and what we need to do is find that very sweet spot, in which we're ready to receive the client intakes and therefore the revenue stream begins, versus expending the money to build out the facility. So where we target the sweet spot that I talked about - we're talking about, is between 90% to 95% of rack capacity. As you can see by this chart, during the last four years, we've actually been able to hit that sweet spot.

You'll hear more about the capacity planning process that's so critical to the business, more when Dan does his presentation.

Depreciation and amortisation - there's an investment that we make in our business. I talked about the racking. There's also the build out associated with security and state of the art safety that we have in all of our facilities. So over time, as we make the investments, you will see this begin to leverage itself as we increase our facilities. But this will always be a component of our business.

The other operating expenses - here again, this represents the sales team, the accounting team, the back operations team that really drive the frontline growth. So what we want to do here is really continue to take costs out of this portion of the business, so that we can place and fund it in other portions of the business that will go directly toward generating revenue, such as the sales training, such as marketing, such as IT infrastructure. So we make prudent investments that keep time and rhythm with the savings that we're taking out of other portions of the business.

So a good result here is very much a steady state of how this support team trails with the revenue growth that we see.

Working capital management - we're particularly proud of some of the efforts that we've made in the fiscal side of the house, where we've now gone over the course of several years here on a very even keeled paced business, to improve the working capital or the fiscal controls of the business.

One of the things that we've been particularly successful at, is using our Six Sigma and our Lean Team as internal to go region by region to really improve our days sales outstanding. As you know in any service organisation, that's a key powerful tool to be enabled to improve your working capital.

So this has been a very steady pace of improvement.

Capital expenditure management - this represents the key components that we invest in as an organisation. As one would expect, a large component of our investment is in our facilities, in our racking, in our security - the things that really drive our business and provide the service that our customers are looking for. These facilities, and you're about ready to see one of our facilities - Fontana tomorrow - you'll see the state of the art - you'll go into the facility, you'll see the compelling nature of these facilities that we create. Once we get our customers - our prospective customers in there and they see the value proposition that they have, it's fairly straight forward process to get their cartons in the door.

What we've been able to do on a consistent basis is really monitor through both our investment in capital expansion and our investment in IT Technology, both of which directly relate to customer growth, within a bound of between 8% and 10%.

We would expect that to continue with the exception of next year, we are making an investment to help grow the business - a step change investment, and I believe that Brambles mentioned this during their call. We estimate right now that we will be putting about $40 million of additional capital expenditure into the business.

A good portion of that will go to improving our IT infrastructure, both to provide things like customer reporting to provide a greater website for our customers to be able to enter into our portal, to enhance additional functionality to provide for platforms for the future growth of the organisation.

So in summary, we call it a very, very positive year. We saw healthy revenue growth. We saw significant improvement in the profitability. We are very, very optimistic about our future and we look forward to seeing you all in the future and reporting on our even better results.

Thank you.

At this time would you like to join me for questions?

Elton Potts - ***Brambles - Group President & COO***

We'd be happy to take any questions at this time that you may have. Realising that we'll dig deeper into the operations in just a minute.

Hold on one second, have we got microphones?

QUESTION AND ANSWER

Simon Mitchell - ***UBS - Analyst***

Simon Mitchell from UBS. You just talked a lot about the metrics in terms of the cost lines; can you give us some idea of how much more there is to go. How you think about yourselves benchmarking against competitors, for example, on margin?

Elton Potts - ***Brambles - Group President & COO***

I'm not sure I understood the question, so how much more there is to go from a metrics cost take-out? Okay.

What was the other part?

Simon Mitchell - ***UBS - Analyst***

Just how you think about your cost performance versus competitors - how you benchmark? How do you set yourselves a target on costs?

Elton Potts - ***Brambles - Group President & COO***

So, all of our competitors have a little bit different mix of business. So, and some of them don't report publically as well, or as much granularity as we do. So it makes it a bit more challenging to look at that in great detail.

We try to, as close as we can, see where we compare and where we do not. The approach that we take, is using Six Sigma and Lean together, we take a continuous improvement approach. So every year, we set an internal target that says, we want to now further reduce our costs as a per cent of our revenue by x amount. We take that approach every year.

We have a team of black belts and green belts do out the business, and that's one of their key roles. One of the neat things that we're doing this year with that team, is we're now getting them to spend part of their time doing customer - joint projects with customers. So where their focus was largely on just cost, or cost in service, now it's how can we do a joint project with a customer that helps them reduce their cost as well?

Simon Mitchell - ***UBS - Analyst***

So are there any targets that you set yourself or cost outs?

Elton Potts - ***Brambles - Group President & COO***

We set a target every year and we set a consistent number and we continue as a per cent of revenue we continue to plug away at that.

Next question. In the back.

Kevin O'Connor - ***Merrill Lynch - Analyst***

Thanks. Kevin O'Connor from Merrill Lynch. Actually I can call us Merrill Lynch, even though Bank of America here apparently. Racking capacity utilisation, you talk about it. Can you tell us what utilisation is, or what it was, or how much more you're going to get out of it?

Elton Potts - ***Brambles - Group President & COO***

Sorry, I think Allison on the chart showed that the sweet spot's between 90% and 95%.

Allison Aden - ***Recall - CFO***

Of our racking capacity.

Elton Potts - ***Brambles - Group President & COO***

Of our rack capacity and we tend to stay in that range. Once you go beyond that 95%, it becomes much more of an operational challenge and your perfection for me, is that Dan would fill up the facility with the last carton, and immediately have space for the next one, but he's a little bit slower than that. He has plan ahead for racking and space and that sort of thing. So we find that that 90% to 95% range is the sweet spot.

Allison Aden - ***Recall - CFO***

And you will see in Dan's presentation in which, for any particular building, there's a staged racking approach. So that at any one point in time, we're on the leading edge of that, so that when we hit that sweet spot, then we know it's time to go install additional racking, allowing the building itself storage capacity to grow.

Kevin O'Connor - ***Merrill Lynch - Analyst***

And a financial question on working capital. You got a pretty good improvement in Fiscal 10 and a reasonable improvement in Fiscal 09; what are you expecting in terms of Fiscal 11 and 12 - are the metrics sustainable, are you going to be able to get further gains?

Allison Aden - ***Recall - CFO***

Well, in the same vein of us setting our targets for our growth margin and our profitability each year, we do set a working capital target, and we do believe that through continued improvements in our fiscal controls, we should be able to see improvement on that line. Taking mind of account that we will be doing, as we mentioned, some additional capital expenditures to grow the business.

So you may see a little bit of fluctuation, but the trend overall, if you would stand back, will have that nice downward slope.

Kevin O'Connor - ***Merrill Lynch - Analyst***

Okay. Thank you.

Elton Potts - ***Brambles - Group President & COO***

Any other questions at this time? Over here Tommy.

David Skinner - ***Barclays Capital - Analyst***

David Skinner from Barclays Capital. You've gone over an impressive array of cost management metrics; intuitively there must be a tipping point at which you take so much cost out that you begin to impact on quality. How do you manage that risk and how do you look at that?

Allison Aden - ***Recall - CFO***

One of our approaches to your point is well you can always, in any service business, like retail, continue to drive costs that are the key components of the service delivery. You're right, you do need to make an investment and then investment can be in capital expenditures, in capital expansion and in our case, investment's going to be in IT technology. So the things that are down manually now will be automated. Some of the reporting that's done manually now will be automated, to provide better ways for management to look inside the business and also for us to provide better service to our clients.

So we'll replace some of the manual work with some of the automated design that's to come. So that's the way to continue to fuel the efficiencies. Through Six Sigma, there is a vast array of different projects that are going on at any one point in time in all of our regions that continue to share best practices and to drive more cost out of the business.

Tom Gorman - ***Brambles - CEO***

Allison, if I can add to that, a couple of the checks and balances that we use to make sure that we don't go too far, because we are a service business first and foremost, and we cannot forget that part. We have what we call a perfect order measurement, and we measure the service with each and every customer, every day, and we measure it across the year, and we can, in our quarterly business reviews, with those customers, tell them how we've performed against our service level agreements with them.

So, if we were to go too far, in taking out cost, you'd see those service levels dip, or you'd see other issues from a customer standpoint. So that's something that we monitor closely. So I think that - I think we have some pretty good safeguards there.

The other thing that we do is we continue to add innovation into our process, to make the process more lean and more efficient, without jeopardising the customer at the same time.

Cameron McDonald - ***Deutsche Bank - Analyst***

Hi, Cameron McDonald from Deutsche. Just two questions. You've mentioned the physical market was between I think between $35 billion to $45 billion, then you've given us a slide on how quickly your revenues have grown over that eight to ten year period. Can you give us a sense of how quickly the market's actually grown over that same time period as well?

The second question relates to the cash conversion. The last three years have been over 100% conversion or around that 100% conversion. Is that one of the reasons that you now have to invest more in the business, because is that indicative that it hasn't had the level of investment that supports the growth, to required going forward, and how should we think about that cash conversion percentage, going forward on almost a through the cycle view?

Elton Potts - ***Brambles - Group President & COO***

Allison, if you don't mind, I want to come in on that first and then you can come along and correct me after I'm done. Okay?

So, I want to take the second part of that first. We have consistently invested between 8% and 10% of revenue, every year back into capital and that is fairly consistent with those nine year growth percentages that Allison showed from a annual growth rate - compound annual growth rate sorry.

So I think that we've been investing appropriately from that standpoint. One of the big things that's going on now, is we decided, and we didn't decide overnight; we took the time and did the research and the analysis to make sure that when we make an investment in our infrastructure, that we do it in a very thoughtful way. We do it once, we do it right.

So, Jason Molfetas, our Chief Information Officer, embarked upon a project, probably 18 months ago to understand where we are, what we have and what we need to go do. So he's put in place, a multi year plan that says here's what we're going to do. These are the areas that we're going to do it in and here are the pieces that we take first. So we see that as a very thoughtful project, not as a, we didn't invest in the past.

Cameron McDonald - ***Deutsche Bank - Analyst***

So going forward we should expect to see acceleration of revenue growth, off the back of that investment?

Elton Potts - ***Brambles - Group President & COO***

Well that's an investment in infrastructure in IT systems and Tom and I had the conversation that says, well if you invest in IT, does that always turn directly into revenue growth and that's an interesting connection.

Cameron McDonald - ***Deutsche Bank - Analyst***

Well profit growth then?

Elton Potts - ***Brambles - Group President & COO***

I think that clearly we don't make the investment unless there is a good reason to do it and I think that revenue growth will come from making the sales team more efficient, with better systems, but it'll come even more so from some of the things that Dick will talk about later on.

From the other question. I'm sorry, did I miss anything there?

Allison Aden - ***Recall - CFO***

No, you got it all.

Elton Potts - ***Brambles - Group President & COO***

Anything to clean up?

Allison Aden - ***Recall - CFO***

No, you did perfect.

Elton Potts - ***Brambles - Group President & COO***

Wonderful. Thank you. They're recording that you know.

Then from the size of the market standpoint, there have not been in my opinion, over the last eight or nine years, a consistent market measurement that's been done. There's been two or three different studies that have gone out and said well we think it's $30 billion, or we think it's $45 billion or $44 billion. There hasn't been any consistent measurements by the same party every year, or every couple of years that said the market has changed in this way.

We will talk a little bit later on about the future of paper, which I think has something to do with that physical market size, and I think that the digital space, is evolving in a couple of unique ways, and we'll talk about this as well. So that makes that market, tougher to measure, because part of it is what do you include, and what do you not include.

So I really can't give you a good answer on what's happening with the size of the market.

20am now; we'll be back at 09:35am. Thank you.

PRESENTATION

Elton Potts - ***Brambles - Group President & COO***

Alright, thank you all very much. At this time we'll start to dive into the Americas within Recall and I'd like to ask Mark Wesley to come up at this time.

Mark Wesley - ***Recall - President North America***

Thanks Elton. Good morning everyone. My name's Mark Wesley. I'm the president of Recall North America.

Just to tell you a little bit about myself before I get started, I've been with Recall for almost nine years now. I originally came in to the Recall business as the General Manager of the Document Management Solutions business across North America. I was in that role for a few years before moving into a role as Vice President of Operations, for all the service lines across North America and then I was asked to move over to Sydney Australia, in 2006 to run the ANZ business, and I had the privilege of running that business for a couple of years. For some reason, which I'm still questioning today, we decided to move back from Sydney to Atlanta and I've been in my role today, as President of the North America business for about 18 months now.

So I have the privilege today of leading the North American business and the team that you're going to hear from this morning. Prior to Recall, I was a logistics officer in the US Marine Corps, for about five years. I was a supply chain consultant with AT Carney and served in various sales and marketing management roles with the Coca Cola Company, prior to joining Recall.

So key messages that I'd like you to take away this morning from my presentation. First of all, we work in a very dynamic market. What do I mean by that? The information that our customers are producing today is exploding, as Elton mentioned earlier, both digital and physical information and our customers are overwhelmed - if I could describe their state of mind right now with what to do with all this information.

At the same time the information is exploding, the regulations that they're required to adhere to are also growing. At the same time the regulations are increasing, they are facing more and more pressure to reduce their cost structure as a result of the Global Financial Crisis.

So that puts Recall in a great position. The customer - because customers look to us to be experts in helping them more securely manage their information in compliance with the regulations and also to more efficiently and cost effectively manage their information. So it puts Recall in a great place right now.

Second key message I'd like you to walk away with, is that we have executed a successful turnaround in the North American business, over the past year. You'll see from the financial results, we did have a great year, last year. However, I think more importantly, what I'm most proud of, is that we have put together - put in place a foundation for the future growth of the business in a sustainable way.

So our goal's not to have one good year - we did have a good year, that's great. But our goal is to have a great year, year after year, and to continue to grow the business and Dick Surdykowski's going to talk to you about the house of growth, as he calls it, that we've built - in particular in our sale and marketing organisation, to provide us with sustainable growth, year over year. Our goal, as Dick and I refer to it, we want to create a sale engine - a revenue growth engine that produces every year.

The third message I'd like you to walk away with, speaking of sales and growth, is that we're now focused on accelerating our profitable growth. So we're focused very squarely on growth. We spent the past couple of years, as Elton showed you, focused on business excellence and getting the foundation in place, taking cost out of the system using Six Sigma, getting our security and facilities up to our standards, and now we're turning our focus to more on sales and marketing and growing the business in a profitable way.

Let me tell you a little bit about the Recall Americas business. We operate in four countries - Brazil, Canada, Mexico and the US. We have about 150 facilities and about 2400 employees across those geographies. An interesting thing I would like to point out - if you look in Brazil, and in the US and in Canada, in particular, we have a great national footprint across those countries. In Mexico, we're in Mexico City today.

I was speaking with someone last night when I first joined Recall, about nine years ago, for the first few years, the biggest obstacle that we had to overcome on the sales side, was the fact that we did not have a true national footprint, in the US in particular. Through acquisitions, through growing with our customers, that is no longer an obstacle and we are able to compete for national accounts and global accounts, because we have the footprint to be able to service those types of large customers and we are competing and winning those types of agreements today that we weren't able to do, six, seven, eight years ago.

So what does Recall do? Elton spoke a little bit about this. In summary, we assist our customers in securely and efficiently managing their information throughout its lifecycle. So from the creation of information, through the usage of that information, through the retention of that information, and ultimately the destruction of that information, we provide services to assist them in managing that information.

We do that through three core service lines. I'll go into a little more detail on these on the upcoming slides.

The first of those is our Document Management Solutions Service, secondly our Secure Destruction Service and thirdly our Data Protection Services Division.

Document Management Solutions - we think about Document Management Solutions really in two parts. The first part would be the physical business. So this is the business where we index, store and retrieve our customers' physical information - their documents, their files, their boxes - or as we call them, their cartons - we index, store and retrieve those items under this service line on the physical portion of the business.

The second part of this business is our digital business. We break the digital business today into two parts. The first part of that business is taking physical documents, converting those to digital images, giving our clients access to those images, over the web. In some cases, we'll capture data when we scan those images and provide that data back to our customers to feed into their operating systems.

The second part of our digital business is we assist our customers in automating their manual paper based processes. So we'll take a paper based process today, we have consultants who will go in and work with our clients on how they can digitise that process and take waste out of their system. So everything from accounts payable processes, accounts receivable processes, insurance claims processes, mortgage processes, HR processes, contract processes, et cetera. We'll go in and work with our clients on how to automate those processes and help them be more efficient in our digital business.

As you can see, our Document Management Solutions business is a very active business. Over 65,000 activities every day, across Recall Americas. Over 4500 work orders that we'll execute today for our clients and we RFID tag about 11,000 cartons of information every day, and we're the only one in the industry that is providing that service to our clients and we have found it to be a key differentiator - one of the key differentiators from our competitors today also.

We also capture about 150,000 images today through our digital business.

Secure Destruction business - the end of the life cycle of information, where we destroy information securely for our clients. We break this business really into two parts also. The first part is the destruction of cartons, files, documents that have been stored in our information centres. So we'll take the information our clients will give us the approval to destroy information, we'll pull the information down from our information centres, transport it securely to our destruction centres, where it's then destroyed on our clients behalf and they receive a certificate of destruction.

The second part of the business is our bin service, where we'll place secure bins, like the one you see in the back of the room, and containers in our customers' locations and many of you, I know in Australia, are customers of ours today, in this business over there. We'll place the bins on site at your location, you place your secure documents in the bins, we come and service those bins on a periodic basis, bring the bins back to our facilities, shred the paper securely, bale the paper and then sell the paper - recycle the paper.

So this service line really has two key value propositions for our clients. The first is security, which is critical and the most important value proposition we provide to them. But the second is it has a green value proposition. It's also very good for the environment, because everything we shred is recycled. Once again a very active service line, 21,000 bins serviced every day across Recall America, 7200 activities and 460 tonnes of paper shredded and recycled every day.

Data protection services - our customers back up their servers on a periodic basis - some daily, some weekly, some monthly, but back up their servers on tapes. We come and pick up those tapes, we store them for them, off site in disaster approved vaults and then in case a disaster occurs, we can provide those tapes back to them, to get their systems up and running again quickly. That's the core part of that service.

Another thing we do in this service line that's interesting is our customers are constantly executing disaster recovery tests, and we participate in those tests. So we get calls in the middle of the night, over the weekend, where they'll be acting like there's a real disaster that's occurred and we'll provide the service to them to take the tapes somewhere and then back up those tapes, put them into their servers and get their systems up and running again.

An extremely active service line, 43,000 activities every day across the Americas, handling over 21,000 physical media assets, and like I said, supporting those disaster recovery tasks.

Let me talk for a minute about the competition, across North America. The competition really varies by service line. So, when you think about Document Management Solutions, our core business, and Data Protection Services, we essentially have one competitor, and that's Iron Mountain.

Then when you think about shredding, the competitive landscape increases a little bit, Iron Mountain offers that service, as well as Cintas, Shred-it and a variety of Mum and Pops and independent companies. So how do we compete with those organisations?

Iron Mountain is a primary competitor that offers all the service lines just like Recall does. The way we compete with Iron Mountain, we compete with them through service and offering an enhanced and better level of service than what they provide today to their clients.

We compete with them by being flexible with our clients, by listening to our clients and providing solutions to our clients and not taking them for granted. We compete with them through our security and facility standards that we have in place.

Finally, we compete with them by - through innovation and RFID technology is a great example of something that we've brought to the industry that they do not have today. That's one example of innovation we've brought to be able to compete with them.

So service, innovation, flexibility and facility and security standards are the primary ways that we compete with Iron Mountain.

Cintas - 80% of their business is 80% plus is just shredding. The way we compete with them is we offer a full suite of services to our clients. That's one primary way we compete with them. Cintas is also a uniform company. That's their primary business in the US - in their US based company, and all their business is in the US. But primarily they're a uniform company. We're an information management company. That is our expertise. That's what we do.

So we find that we can compete with them through, once again, service through our security standards and sophistication that we have in running this business for a long period of time. We find that they tend to compete more on price than on value that we offer, in terms of security.

How do we compete with Shred-it? Shred-it is a franchise model. It's a mix of company owned stores and franchised stores, so when we talk to our national customers, they have difficulty servicing our national customers. The second way we compete with them is through our full suite of services, which they don't offer today across North America.

Competing with the local Mum and Pops, the traditional ways of competing with smaller companies, we offer financial stability, enhanced technology, more sophistication in the program we offer, et cetera.

So I just showed you a little bit about how we compete with these various entities.

A little bit more about Americas once again, operate in four countries that I talked about earlier. We did have a great year financially last year. In constant currency we grew by 4% on the top line, in revenue, and we grew our profit by about 30%. So we had a great year financially across the business.

We did benefit from some financial institutions and the consolidation that occurred as a result of the Global Financial Crisis and some projects that occurred as a result of that consolidation last year and we did make great use of Six Sigma and Lean technologies to become as efficient as possible in the business. As Elton mentioned, our culture is one of continuous improvement and continually driving and finding new ways of doing things more efficiently than the way we do them today.

Our Document Management Solutions business, which is our core business, grew by 11%, so we had a great year in that business line. That does show you though, that in Secure Destruction Services and the Data Protection Services, we need to improve. Dick Surdykowski's going to talk to you about some plans that we have in place for doing that.

Allison showed you this slide at a global level, at the Americas level, over the past eight years; we've grown revenue at a CAGR of 6%. The retention - annuity business has grown at a CAGR of about 7%, while the transaction portion of the business has grown at 5%.

This is the more profitable part of our business, so seeing the higher CAGR there is a good thing.

One thing that's interesting to point out here is you can see the transactional portion of our business has flattened out really over the past three years, and that's really directly correlated to the Global Financial Crisis. The less activities that are going on - transactions that are going on - where there are mortgages or whatever transactions, the less paper there is and we have seen an impact from that.

That's practice sharing. One of the great things about being part of company like Recall, is that we are truly a global company. We operate as a global company, we're in over 23 countries and we are constantly sharing best practices with each other. We also move people around the globe, which is a great thing and I did, as I mentioned, have the privilege of moving to Australia and running that business for a couple of years.

So with that I'll just briefly talk about some of things I brought back from Australia that we're trying to bring to the North American business. First of all, one of the things I learned is that tenure and experience matter. Well it sounds pretty basic, but we have a group over in Australia, of employees, that have been with the organisation a long time. The business started there, it was founded there, and we have people 15, 20 plus years experience and I learned the value of those kinds of people. That's the kind of organisation we're trying to build in North America. So we're trying to find great talent and make sure they're motivated and stay with Recall for the long term.

Second thing I learned is the value of Six Sigma and Lean. We used Six Sigma and Lean extensively in Australia to drive the financial performance of that business during my two years there and had a lot success doing that and we've done that over the past 18 months also in North America as you've seen.

Thirdly, expertise accelerates how we can add value - our ability to add value added services to our clients. So if you can truly become a value added partner to your client and truly assist them, in managing their records and their information, and have expertise to help them, they look to you to provide other services and they ask you to provide new services that you're not providing today.

Another point, a strong culture can impact results. We have a group in Australia, it's a proud group, and it's a proud team. They have a bit of - I like to call it swagger - about them and some of that comes from the success they've had over the years from being the market leader et cetera, and that's the kind of culture we're attempting to build in North America. We want a proud group of employees, a proud group - a proud management team that has fun together, that is working together in a common goal to be the best - to be the best in our industry and emerge as the leader in our industry in North America.

The last point, leadership can lead to complacency. I've had the chance to work in North America, where we're the number 2 player, and in Australia where we're the clear number one player, and while being a market leader has a lot of advantages, it can also lead to complacency, if you're not careful, and you have to consciously make sure that you're keeping your sales force and your organisation hungry. That works to our advantage I think in North America, because we have the opportunity to be more nimble, more flexible, listen to our customers better, not take them for granted and respond to them, and earn market share by doing that.

When I took over the North American business 18 months ago, one of the first things that we did was change our organisational structure. I'm not a believer that the first thing you do when you come into a business is structure. I did not do that when I came into the ANZ business.

So the North American business previously was organised by geography. So we had a local general manager for example in Las Angeles where we are, who managed both sales and operations across all of our service lines. What it led to was we were pretty good at everything, but not really good at anything.

So one of the things we did was wee decided to break apart that general manager structure and set up a separate sales organisation and we brought in a sales leadership team with a lot of experience and expertise in sales. We brought in standard processes, standard training, and standard metrics within our sales organisation and built a true sales and growth culture. Dick's going to talk to you a lot about that.

We took our operations group and we broke them apart by service line to get expertise within Secure Destruction Services, for example, that we didn't have before to share best practices across our markets, to share metrics across our markets et cetera.

So really the new organisational structure was designed to give us more functional expertise within sales and operations and more service line expertise across our service lines that we offer today.

This just shows you the org structure we had in place previously and we did flatten out that structure and go to a structure where we do have a separate sales organisation in the operations team, divided by service line. I think everyone would tell you in the organisation, the structure is working today. We're one North American team. We're not operating in different silos based on geography and interestingly enough, this is a much more efficient structure than what we had before, so we flattened the structure and got better, in my opinion.

So as I mentioned, we did have a good year financially, in FY10. I'm also proud of our safety record, which improved dramatically from FY09 to FY10. As I spoke about earlier, we do have a culture of continuous improvement, that's embedded in the organisation - meaning the Six Sigma program and we do have a new sales force that's in place and a new organisational structure that's getting traction.

The keys to success, moving forward in the future, improved customer experience - kind of a basic thing, but my opinion, if you have satisfied customers, you're going to grow your business, as long as you're in the right markets. Sounds simple, but if you have satisfied customers, they're going to look to you to buy more services from you, which we have today in our portfolio services. We can bring new services to our clients. So the more satisfied they are, the more services they're going to buy from you.

They're also going to refer you to other companies. So we're focussed squarely, and Dick's going to talk more about this in his presentation, on improving our customer experience. We do measure customer satisfaction, every year, and we're fortunate to have good customer satisfaction scores. But we can do better in some areas and Dick's going to talk to you about how we're going to do that.

We're going to continue to leverage best practices across Recall globally. We have some services that are offered today globally that we're not providing in North America and we're going to be rolling those out over the next couple of years.

We're going to continue to differentiate from our competition, based on some of the things that I mentioned to you earlier, as well as security and efficiency.

We're going to continue to be a leader in the information management industry, and we're also in the process of reinventing our Secure Destruction Services Business. I'm very excited about the way we're changing that business and Tim McBride's going to take you through some of the things we're doing to change that business.

Finally, we're going to seize the opportunities that are available today in the digital area, and Elton's going to take you through some of the things that we're doing in that business also.

So to summarise our strategic path, we've spent the past couple of years focused squarely on business excellence - metrics, Six Sigma, right org structure, getting the right people in place. Now really this year, we're beginning to shift our focus more to profitable growth - to building a world class account management team, to cross selling into all of our customers to improving our customer experience. In the future we'll begin to focus on expanding the offering and looking at new services that we can provide to our clients.

So thank you very much for your time and now I'd like to introduce Dan McFarland to you.

Dan McFarland *- Recall - VP and GM Document Management Solutions North America*

Thanks Mark. Appreciate it.

My name is Dan McFarland and it's my privilege to lead the Document Management Solution Business for Recall North America. I thought it would be beneficial just to go over a little bit of history. I have been with Recall just over eight years. I joined the organisation in the Finance Group. I then migrated over to operations and I was asked to basically start an Operational Support Group for Recall - kind of a shared service. So I oversaw everything from infrastructure of the business, fleet, logistics, quality, procurement. Then once that Group was up and running and stable I then moved into a General Manager role. At that point I oversaw all service lines for the business, including sales and account management and then most recently moved into the Vice President and General Manager role for the Document Management Business.

I'll even take a step before that and prior to Recall I worked at Delta Airlines - no jokes, if you travelled air - but I was in the Investor Relations Group and Corporate Development. Then prior to that - people always ask why is a finance guy running operations for a business, but I did run Retail Operations for BP Amoco for their company-owned stores.

So I really appreciate the opportunity to be able to present the Document Management Business to you. I think it's a great business for several reasons. First of all, as you can see, the Document Management Business represents over 50% of the revenue for Recall North America. So it's a substantial piece of the overall business.

The other piece that I look at in regards to document management is that Elton said earlier we've got a huge untapped market. You've got nearly two-thirds of the marketplace that is un-vended, so we have a lot of potential, upward potential for growing this business.

Then lastly what I look at is a strong historical performance within the business. We have been growing this business for a while now. But the thing that people keep asking us is, is paper going away? Is paper obsolete? This really stemmed from an article that came out of Business Week back in 1975 and there was this office of the future and really that's where this myth started coming from. That and some subsequent articles talked about paper going away around 1990 and everything would be digital.

So we know that this obviously didn't happen. Does anybody have a printout of the presentation today? Yes. Good. Alright. So when you look at that - does anybody not have a laptop computer? Now everybody has got one and they can print freely. I think we have one guy in the back who doesn't have a laptop, but you can print this paper and really what's happened is - with laptops out there and printers, it's pretty cost effective to use printed paper as a way of knowledge sharing, presentations, whatever it might be. If you look in the business world, the average worker out there utilises about 10,000 sheets of paper on an annual basis. So what we're saying is that paper growth is continuing.

Then also the advent of obviously legislation - Sarbanes-Oxley, HIPAA compliance - all of these require additional paperwork. So I will give you a brief example. HIPAA compliance within the US - a law was created that basically says a physician or a hospital needs to effectively manage the security and the privacy of a patient's information. But what do they have to do? By law, if I'm a patient and I go to a doctor's office, I have to sign a piece of paper that basically says that I acknowledge that you told me what you're going to do with my information. So it's just another avenue for creating additional paper.

I mean you're all going to go back to your offices eventually and the only thing you have to do is really just go in the office, look in your recycle bin and see if there's paper in there and that's going to prove to you that paper is continuing to grow. And if it's empty, that means that Tim and his Group probably just came and serviced the bin and shredded it, so just come back and check in a couple of hours and I'm sure it will fill right back up.

But as I said when I opened up, the Document Management Business has proven that it has strong year-over-year growth, both from a revenue perspective and from a carton growth perspective. As you can see here a compounded annual growth rate of 8% for the revenue piece and 9% on the carton piece.

Really the beauty of this business is that it's an annuity based business. You get a customer, they take their cartons, they bring them over to you or we'll pick them up and we'll put them in storage, safely securely and efficiently, and as they conduct their business they continue to throw off paper and they continue to store it with us, so we have this wonderful base of business with predictable organic growth from them. So it's a beautiful business model.

But, as Alison mentioned, we have this opportunity. It's just not about taking cartons and throwing them into buildings. We have to manage the capacity effectively. So what I thought I would do is take you through how we manage capacity in Recall North America.

We have a Capacity Planning Manager who oversees this process and on a monthly basis we basically go through these steps. The first step is really understanding how many cartons we have - basic building block of how you manage capacity, know what you have - then we look at the building capacity within our footprint and we look at the rack capacity in our footprint. So we know how much available capacity we have to put cartons on shelves and in our buildings.

Once we have that reporting then we work with Dick and his team. Now Dick has a pipeline of customers and based on some conversion rates we can predict where we're going to need, where we're going to have close in one business and where we're going to need additional capacity. This coupled with the organic growth that we naturally have - as I talked about earlier - really tells us how much capacity we need.

The next piece of this is really looking at the infrastructure planning framework. So it's just not about the organic growth and about new sales, but also as you're adding capacity what you want to do is be opportunistic and if you have the opportunity to consolidate facilities, maybe drive additional cost savings in a specific market, you want to take that opportunity during this process to do so.

When you couple all of that information and you put it through our capacity planning tool it basically predicts how much additional capacity we'll need from a volume perspective and a timing perspective.

Now this next slide is just an illustrative example of what the capacity planning model puts out. But as you can see, the blue bar here represents rack capacity and the red bar represents building capacity. I have selected a couple of different examples in looking at different facilities in a different level of their maturity.

So the first one I would say is kind of like a mid-mature type facility. What you can see is we have got about three-quarters of rack capacity and we still have the ability to expand and build additional capacity or the next phase of racking within that building. But as you can see that building is going to be filled up in about two years, so we need to start planning to make sure that we can expand in that facility or take on new capacity in that marketplace.

Example B really shows a market in its infancy and the reason I say that, as you can see there's plenty of building growth - building capacity - but we have just a little bit of rack capacity. So we put in enough racking to accommodate our customers and for growth, but then we'll continue to add phases or pods of racking within that building.

This is the other area where I work with Dick and his team, because what we can do is flex the sales staff and where we have additional capacity we can target people to go sell in those markets and fill up that capacity quicker.

The last example really shows a more mature market. What you can see is we have a building that is completely racked out and it's going to be filled up, that we predict, in about two years and so we should already be planning to add additional capacity in that marketplace.

As you can see we've been pretty successful. We have been able to expand either from a rack capacity perspective or a building perspective in 31 different cities across North America. I have highlighted four cities in green and the reason I did that is because these are markets where we had no presence, we worked with our customers, they pulled us into these markets and we basically added a new facility in each one of those cities to help accommodate and grow with our customers.

So now I have got this building. I've got racking in it. But as Elton said earlier, it's really about making sure we have the foundation of business excellence. One of the building blocks in addition to Six Sigma is our global standards and tomorrow when you go to our Fontana site you will really have the ability to see all of this live and in action. But I did want to highlight two of the standards that we have here - one of them is access control. So when you go into your building when you get back to your office, do you have a key card maybe that you go into your building with? Swipe it and you walk in the door. So what happens if somebody gets your key card? Can they get in the building? Yes.

So what you will see in Fontana tomorrow is we have upgraded to biometrics. So in order for somebody to get into our building they have to put their hand under a reader and it's a vascular scan, so it's reading an imprint of the person's veins. So we get personal authentification of that person actually walking into our facility versus a key card where anybody could walk in if they get their hands on it.

The other one I wanted to highlight is really about fire prevention and suppression. It's really focused on fire prevention. Within our facilities we have a system called VESDA - or Very Early Smoke Detection Apparatus - and what this system does - it's tubing that goes through our facility with monitors and it's sniffing samples of air and what it's looking for is particles of smoke or pre-combustion material that basically alerts us, that says, we want to capture something before any type of major incident actually breaks out. So it gives us an early warning of something that could potentially happen and we can go and address it.

But obviously investments like this are great for our shareholders and stakeholders.

Mark just talked about the strategic pathway. Elton has talked about the strategic pathway. I thought it would be beneficial just to highlight a couple of different points within the Document Management Business.

We have talked about the standards and I'm going to give a real live example of a Six Sigma case study, but I also wanted to highlight that we invest in our people. We have a world class training program for our Document Management Business. Every employee, when they come into our business, needs to go through a rigorous training program. It's partly online and it's partly on the job. They cannot work on their own until they get certified.

The nice part about this is it's a sustainable program, so every year they go through a re-certification process. So when we have this foundation of business excellence then we can start working on profitable growth. Dick's going to talk to you a little bit about how we're focusing on vertical expertise and the opportunities we have to cross-sell within our own business.

But it's not just about managing topside, we always have to look at both sides of the PNL and I talked about capacity planning and Elton - Alison did a really good job of talking about metrics and how we manage costs within the business, but we do manage both sides of the PNL.

Then expanding the offering - Mark gave some great examples of how we're merging digital and physical and expanding the offering there. You'll get a glimpse of it tomorrow with RFID and I'm going to give you a quick example of how we use RFID as a differentiator to support one of our customers.

So I will start down the path of a case study or a story. We have a large financial institution who was negatively impacted due to some security breaches within their business and they looked inward and said, you know, why did this happen? What they said is really, hey we have no way to physically audit our information and thus we don't believe we're compliant. So we sat down with this potential customer and asked them, what's your wish list? What do you want to see from a new partner within the records management business?

What they said is, basically we want to establish a world class records management program first and foremost. On top of that we want to be the first Fortune 500 company to be able to completely audit our inventory and they want to be able to mitigate risk cost effectively - as with any company.

So we sat down with this customer and put together a solution for them, but one of the components of that solution was RFID. So on every one of these cartons you see there's a yellow tag. Now this just isn't a bar code tag, inside this tag is an RFID chip and an antenna.

Does anybody drive on the toll roads? Yes, and you have an electronic pass in your car? And as you go through the toll you have a portal and what does it do? It deducts money from your account right? What's happening is the portal's reading the pass in your car and it's deducting money from that account.

Same thing here. We could take a piece of equipment, a reader, through our facilities and we could read every one of these cartons electronically and inventory it.

So that was the solution we brought to them. We said we can RFID every one of your cartons. We can conduct annual audits for you and we can provide you reporting on top of that to show you're compliant.

So the solution really worked out for them. At this point they have a best in class records management program. We recently completed an annual audit for them, inventorying 100% of their inventory with zero missing cartons and now they're fully compliant.

But the best part about the story is what happened last month. So last month we - part of the Recall team - was invited to this customer's corporate headquarters, we were taken to the executive dining room and they wanted to recognise us and celebrate with us the success that we had in bringing them over from their other vendor to us. I think it just speaks volumes whenever you have a customer that actually invites you to their facility and says hey you guys did a great job.

The next example and the last example I want to go through is really talking about how we drive internal efficiencies within the business. So the challenge that we had is we had an opportunity to improve the asset utilisation of our vehicles and the thing we wanted to do was make sure that we, as we improved the efficiencies - and it came from a question before - is how do we do that without impacting the customer delivery?

What we did is we applied some internal knowledge - as some of you may know we have GPS on every one of our vehicles and we use it from a safety perspective, because we can see if people are speeding, we can use it from a security perspective because we can see if people are leaving their routes, but it also captures all the data that we need to see how that vehicle was utilised.

So what we said is, we can put together a team - a team of somebody from our impact team, we can take people from the operations and we can also take a project leader - and have them try to use this information, along with the Six Sigma tools, to help drive efficiencies within the business.

So what they did is they came up with a solution for us and implemented it nationally and we had some really good results. What happened is, is we reduced our fleet by 9%, increased asset utilisation by 11% and so we had the flexibility of taking these vehicles that were under-utilised, moving them to other markets that needed the capacity, or replacing a vehicle that was at the end of its lifecycle, and drove additional savings of $161,000 on a recurring annual basis going forward. The nice part about it is we didn't impact service at all.

In conclusion what I would say is I think DMS business is a great business. You have a solid foundation of business excellence, you have two-thirds of the market that's un-vended that we can go after, it's a great annuity business and when you add innovation and partnering with your customers there's nothing but upside.

So I really look forward to tomorrow and the tour and being able to answer additional questions, but for now I'm going to hand it over to Tim.

Tim McBride *- Recall - VP and GM Secure Destruction Services North America*

Thank you Dan. Good morning. My name is Tim McBride. I am Vice President and General Manager of the Secure Destruction Service line for Recall North America.

I have been with Recall only about nine months, so I am the new kid on the block so to speak. There has always got to be at least one new guy in the crowd. Give you a little bit of background about myself. For the past 24 years I have been in the service industry, specifically transportation. I spent 20 years with FedEx family of companies, ran several different regions, Managing Director for FedEx most recently in the south-west region based in Fort Worth Texas, one of the largest regions within their network. From there I moved on to DHL. I spent four years there as Senior Vice President of US Hub Operations and have been with Recall for the past nine months.

I've got to tell you, it's really an honour to be here with you this morning, have an opportunity to discuss the Secure Destruction Business with you. You heard Mark Wesley talk about the turnaround in North America during the past fiscal year. The Secure Destruction Service line has been an integral part of that turnaround. Some nine months ago, we embarked on a very strategic and dramatic initiative to transform the Secure Destruction Service line, primarily focused on enhancing security, safety, focused on business excellence, innovation, differentiation, and improving the overall customer experience.

That's primarily what I would like to discuss with you this morning. It is very early days, however we are very encouraged thus far with the results and I'll talk a little bit about those results later on in the presentation.

As you can see our Secure Destruction Service line accounts for about 35% of the revenue for Recall North America. You heard both Elton and Mark talk about the size of the information management industry and the dynamic nature of that industry and the un-vended portion of this industry. Within Secure Destruction it's identical. I mean we have a very large market segment. There is a considerable portion of that market that is un-vended today - approximately 50% of that. You also heard my colleague, Dan McFarland, talk about this philosophy with the technological advancements that have taken place over the past 10, 15 years, that paper was going to be a thing of the past. Well, as we well know, that certainly has not happened. Paper is going to be here for the foreseeable future.

So within Secure Destruction we firmly believe that there is tremendous opportunity for a profitably growth now and in the future. And I'm not just talking about the un-vended portion of that market. Also, organic growth with our existing clients where we have the opportunity to cross-sell or bundle our services. Mark talked about one of those - that being a really strategic and competitive advantage for us versus some of the competition within North America, and Elton also mentioned looking at different forms of media other than just paper.

So for those of you that are present today that may not have a clear cut understanding of what the Secure Destruction Business really is, I'll offer up my high level definition of secure destruction. What we view it is a closed loop, secure, responsible destruction of critical and highly sensitive materials.

Now, in today's world, age of information, our clients look to us to be so much more than just a vendor or a provider. They look to us to truly be a partner in essence to create trust, to bring them a peace of mind - (1) to guard against potential identity theft or potential compromising of personal information, to mitigate that risk on their behalf, also to ensure that we protect their image, that we safeguard their brand reputation.

Mark talked - and Mark and Elton both spoke about the activity from a legislative perspective. There are certainly no signs that that type of activity is slowing down. If anything it appears to be more aggressive, consequently our customers look to us to help educate them, to keep them up to speed. We are the true subject matter experts when it comes to those types of issues and it's our responsibility to help make sure that they stay in compliance from a regulatory perspective.

That of course, as Mark mentioned, 100% of the paper that we destroy is ultimately taken directly to mills and to being repulped, recycled. So from a green initiative, environmental sustainability perspective we certainly provide benefit to our clients.

Our basic revenue streams - one is what we refer to as route-based revenue streams. It's where we place our secure bins and consoles in our clients' locations. We go out on a recurring pre-scheduled basis to service those bins - either exchange bins or take them to one of our collection trucks and tip them and replace them with empty bins. That pre-scheduled service can range from anywhere from a daily basis up to potentially once every 12 weeks.

The second of our primary revenue stream is one-off projects - what we may refer to as purges - where clients may be closing down a branch, they may be doing some right sizing activity, they may have gone through a re-engineering project and they need us to collect the material, a large volume of material at one time. Plus one of the beauties of Recall is that we have a complete portfolio of service offerings. My colleague Dan just talked about our document management solutions and part of it, when a client has a destruction order for cartons to be removed out of one of our information centres, then it's transferred to my group and we destroy those cartons. So it stays within one house so to speak. It's that whole portfolio of service offerings.

Then of course the recycling piece of it - the by-product of destroying the paper and the paper revenue that we reap from that.

I'd like to talk just a little bit in regards to our service model. Although our portfolio of service product offerings does include onsite destruction with a mobile shred truck, that is not our chosen primary service model. Our primary service model is offsite destruction and we think that is truly a differentiator within the secure destruction industry (1) because of our secure chain of custody - closed loop secure chain of custody. From the time a customer or a client places a document in one of our secure bins and then our secure service representative - who is certified - comes out, collects that bin, places it on one of our secure vehicles - we refer to as rolling vaults that's equipped with GPS, Babaco locking systems - to the time that that vehicles returns back to our destruction centre - which is equipped with state-of-the-art technology which is pretty similar if not identical to what you will see at our IC on Fontana tomorrow - we certainly believe that these are advantages, not to mention the decreased impact on the carbon footprint or the environment with an onsite vehicle. That vehicle must remain running throughout the process. In addition to that, our offsite model is certainly much more respectful of a customer's business. You don't have a docked position or a place, a parking spot tied up for an extended period of time.

So that is our primary business model and quite honestly it is somewhat unique within our industry.

Everyone is certainly well aware of the global economic crisis and there is no question that the economic impact certainly took a toll on us and it had an impact on the Secure Destruction Business. As you can see over the past two years the impact that it has had, however what this graph also depicts is our ability through he usage of LEAN, Six Sigma, methodology and principles to respond to the downturn in the economy.

I mean certainly our clients have gone through branch closures, re-engineering, things of that nature which has reduced the activity that they have had and it's obviously had an impact on us. However, through very cost conscious methodologies and through the use of LEAN and Six Sigma we have become a much more responsive, lean, nimble organisation and we have been able to offset the impact the downturn in revenue over the past two years.

Now certainly you will hear from Dick Surdykowski how we are combating this trend, from a revenue perspective, and I will say that during this time if you look at FY10 through these practices we were able to improve upon our gross margin year-over-year.

Paper - Dan McFarland talked to you about paper. It's certainly part of our business. This graph depicts the extreme volatility that we've seen over the past year - something that quite frankly was something that we hadn't experienced in this industry, although the past four or five months it has stabilised. We don't project that same type of volatility in the near future, however we certainly understand that we have to monitor very closely and we have to be cognisant of paper prices.

That being said, our focus is on the elements of our business that we have complete control over and that's cost optimisation, improving the service, improving the overall customer experience that I spoke about.

This slide you have seen from every presenter. That's not just by chance. A little bit about our strategic pathway within the secure destruction.

Business excellent - as I said, over the past nine months our business really - we've been working very diligently to transform, consequently very strong focus on business excellence. A couple of the key components that we've been working on - pay for performance and dynamic routing - I'm going to talk a little bit more in detail here momentarily - increasing route density. We certainly recognise the fact that we needed a solution to help mitigate our cost structure to a certain degree. We've built a model - this serves a couple of purposes. It identifies specific geographic pockets down to a route level basis where we need to focus our sales efforts to build route density and reduce the overall operating cost structure.

As Mark talked about, we certainly employed Lean and Six Sigma methodologies. Let me talk just there for a moment - one element of profitable growth. Although our focus primarily over the past nine months has been on business excellence, profitable growth certainly has not gone unnoticed so to speak. One of the critical strategic initiatives was transitioning our primary pricing methodology from a bins tipped to a bins onsite methodology.

Let me give you a basic description of that. You go out to a client, they've got 20 bins, our methodology in the past is if we service that bin then we charge the customer for that service, although if the bin was empty or it was less than 5%, 10% full, customer didn't want a service, although the asset and the activity was still involved, we didn't charge for that service. We have now aligned our pricing methodology so it aligns much closer to our cost structure and certainly to the value that we bring the external customer.

Expand the offering - Elton mentioned tomorrow while we're at our ICM Fontana, give you an opportunity to get a peak into the future, some of the innovative products and services that we have been working on.

Speaking of pay for performance - this, a real change in culture within Recall. What we recognised very quickly is that the current compensation methodology for our secure service representatives - what we refer to as SSRs - really was not aligned with the goals and objectives of our company or of our customers. The objective was to create an entrepreneurial spirit or culture within our organisation where our SSRs truly had the ability, the opportunity to take accountability, ownership, responsibility for their routes and those customers on those routes; where they are empowered to take action to improve that level of overall customer satisfaction. In addition to that we certainly believe that it will have a positive impact on the on-time performance and a positive impact on the efficiency and the productivity.

We have been piloting this compensation methodology for the past nine months. The results have been very encouraging. We look to go live some time in November.

The last strategic initiative I'd like to share with you is dynamic routing. I mentioned to you that we have pre-scheduled - we pre-scheduled the services with our clients and those service frequencies can vary from daily up to 12 weeks. With the number of customers that we have, I'm certain that you can understand how difficult it may be to optimise our routes. We have - the objective behind the development of dynamic routing was to implement a scalable solution for dynamic and strategic route planning.

We have been in pilot mode with the software that we are currently utilising for the past three months. We will look to make some final determination at the executive level some time in October, but a couple of the pilot sites we're seeing some encouraging results, and I guess the most simplistic way of describing for you the methodology is if you take every work order or every customer that you are scheduled to service

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tomorrow and you pour them into a blender and you turn on that blender, you shake it out and every route is not just optimised but sequenced to ensure that it's not just efficient and productive, but it also meets the critical customer requirements that they may have. In other words, close times, if they want you to work around scheduled lunches, things of that nature. So a very different approach and certainly should have a dramatic impact on our transportation expense.

This is just a quick look - in the upper left hand corner the blue or the aqua wedges depict the number of customers in specific geographic area, the number of stops that we've got to make on a given day and the bottom right hand corner - after we have run it through our dynamic routing software model - shows how the methodology that was utilised to optimise those routes.

So, in summary, I am very excited about what we're doing within the Secure Destruction Business. We still have a tremendous amount of work to do, and as I said, this transformation still early days, but we're very encouraged by what we have seen thus far.

And again, I certainly appreciate the opportunity to be here with you today, to share a little bit about our business. We're very very passionate at Recall. Mark's team are very engaged, very committed and I certainly appreciate the opportunity.

So, at this point I would like to turn it over to my colleague Dick Surdykowski.

Dick Surdykowski - ***Recall - VP Sales and Marketing North America***

Thanks Tim.

I think we were 10 minutes ahead of schedule before Tim started, now we're five minutes behind - so is that about right? He's pretty passionate about secure destruction wouldn't you think.

Well my name is Dick Surdykowski and I'm the Vice President of Sales and Marketing for North America for Recall and I am very honoured to talk to you today about some of the things we're doing to deliver sustainable and profitable growth.

I joined the Recall team about 15 months ago - in June of 2009 - and prior to that I spent 22 years - I only had one job prior to Recall - I spent 22 years in a business to businesses service company where I was able to build sales teams and grow their business over those 22 years.

One of the things I am most proud of in my prior experience is that we grew that business from about $150 million a year back in 1987 to over $4 billion a year when I left 15 months ago to join Recall.

So I learned a lot of things in those 22 years about building sales teams and the traits and the characteristics and the core competencies that make up a successful sales team. So I'm bringing that to Recall and I'm going to tell you a little bit about what we're doing in North America.

One of the key values of Brambles is that all things start with the customer. So one of the first things we did was talk to our customers and listen to the voice of the customer. We did that through periodic surveys, we did that through focus groups in numerous markets, we conducted quarterly business reviews with many of our customers, we had a users conference about a year ago out here, actually in Fontana - the facility you're going to visit - where we brought 125 customers and prospects and talked to them about their business and what they need from a supplier like us. We conducted hundreds of executive visits in fiscal year 10. In fact Elton, I know you visited over 100 customers in FY10 alone.

So we took all those things and we listened to what the customers were telling us and here's what they told us - they said, you guys are easy to place an order with. When we place an order with you, you respond quickly and you take care of things quickly. We trust you guys. We know that our information is secure with Recall. Your folks are well trained, they're professional, they're knowledgeable and they're likeable. So those were good things. In essence we provide peace of mind to our customers.

Now, we also wanted to learn about areas that we could improve to become a better resource for our customers. So we heard a couple of things loud and clear. First, we needed to improve in the area of customer communication and in the area of the quality of our main contact - which we refer to as the account manager. The account manager owns the relationship with the customer and is in charge of maintaining that relationship and growing the relationship. The other thing we heard was, we could do a better job in the area of issue resolution - things like billing or invoicing, maybe how we onboard a new customer.

So what did we do about that? We quickly went to work in FY10 on enhancing the skill set of our account managers across North America. That was one of the first things we did. Second thing is, we put in a proactive account manager model that will enable each Recall customer to have a consistent, positive, proactive experience with Recall and we put together very specific traits and characteristics that are critical to being successful as an account manager within Recall. We put those in place for all of our new hires and we applied them to our existing team of account managers.

Regarding the issue - also actually, one other thing - we actually added account managers to the team in North America so we could guarantee we had the proper number of visits to each and every customer because that was one of the things we heard from them was, the number of times we communicate with them, they'd like to see a little bit more of that, and not only how many times they communicate with them, but what type of visit. Is it a proactive goodwill visit? Is it a cross-selling visit? Is it an issue resolution visit? So those things are now tracked and monitored.

Regarding the issue resolution area we quickly realised that there were some variations in our processes and because we had variations in our processes it was pretty easy to come up with a solution through our Six Sigma team. So we took our Six Sigma team and applied a team on each of the areas that were identified by our customers that we could improve in. Each time was led by a black belt. They have been in place for six or seven months. The teams are all nearing completion and we're very excited about the new processes that are being rolled out, due to the efforts of these Six Sigma teams regarding issue resolution.

The good news is, we are in the top third of all companies surveyed in the area of customer satisfaction in the services companies.

Mark Wesley mentioned that one of the first things that he undertook when he came to North America from Australia was to restructure the North American business. The group that that had the biggest impact on was the sales and marketing team. As he mentioned, all of sales and operations reported up through regional operational managers. The Sales VP was actually in a staff role. What we had happen there was inconsistent expectations, inconsistent training, communication flow probably wasn't as good as it could have been, best practice sharing probably wasn't as good as it could have been, and because it was run through operations there was a little bit of a lack of focus on the customer and the sales process. So, we put in place a new structure, within the sales organisation we put in that new structure as a part of that change.

Now, I mentioned I spent 22 years leading sales teams and growing a business. There's a couple of things I learned in those 22 years. This is good, so you'll want to get this in your noted. Tom, you want to get this, okay?

Okay, when you're leading a sales team and you're trying to grow a business two things are real important- sell more new customers, that's one. Number two is keep and grow your existing customers. It's big. It's big. That's worth the trip right there, right?

So sell more new business, well more new customers, bring more new customers to the company and then keep and grow your existing customers. It's really that simple. So we set up our structure around that and we've got our structure broken down into buckets. We have our national sales team and our field sales team and within those two teams you've got two roles - your sales executive and your account manager. Your sales executive is your hunter that goes out and finds new accounts to bring to Recall. That's the sell more new business part.

You've also got the account manager, which is the person in charge of the relationship that I mentioned earlier, that is the quarter back if you will of the account, in charge of maintaining that relationship, introducing other products and services to that customer in order to grow the relationship. So that's the keep and grow your existing customers part of the equation.

Now, in addition to that, we also realised - and if you will refer back to what I mentioned that our customers told us earlier - they liked it that we were knowledgeable. They want us to be subject matter experts. They want us to bring them solutions. So we realised an opportunity to create some subject matter experts in certain lines of our business that we think will enable us grow those at a faster rate. Those two lines of business are the digital business and the data protection service business.

So what we did - right here, digital specialist and data protection specialist, we actually added a team of subject matter experts for those two business lines. So we have a team of folks that are experts in the digital business in everything we can provide and there are experts in the data protection business.

We then went out to our existing sales executives and account manages and trained them on how to identify opportunities within prospects for digital or data protection or to identify prospects within our current customer base if you're an account manager for digital or data protection.

Once they identify the prospect, instead of the sales exec or the account manager selling that, they then bring in that subject matter expert. They bring in the digital specialist, or they bring in that data protection specialist and that person then helps sell that piece of business because of their subject matter expertise. Early indications are that the customers really like that and the prospects really like that subject matter expertise because they're looking to us for solutions.

So, that's the new structure. On top of that we rolled out an activity based sales model that overlays the entire organisation. In essence what I'm talking about are clearly defined expectations regarding activity, a weekly routine that is in place for each and every position. For our sales executives we have a weekly routine. For our account managers, a weekly routine. Our sales managers, our sales directors, our national sales execs, every position has a weekly routine with clearly defined expectations on how many visits you're supposed to make, when you're supposed to make them, when your meetings are, when your debrief is and that enables us to do a couple of things.

Part of that routine is every Monday morning a sales exec and account manager sits down with their sales manager and goes through the previous week's activity in their weekly debrief we call it. Now that we're tracking and measuring that it tells us a lot of things, and it's pretty easy to decide if it's a will issue or a skill issue. Those are the things we look at, so when I say will, that's effort - effort and activity. If it's a skill issue, it's knowledge, it's something we can teach or train, it's easy to identify what the root cause of someone not hitting their expectations are because of these weekly debriefs, so we can measure and track that easily and lets us get to the root cause of what's holding them back from success or lets us know what leading them to success. That happens each and every Monday in each and every market.

So that's the new structure.

I think Mark mentioned earlier the house of growth that we've talked about a couple of times. Let me tell you a little bit about that, what it means, and where we're headed with it.

I joined Recall at the very beginning of fiscal year 10 an one of the first things we did was we sat down with the leadership team in sales and came up with what are our key priorities? I mean what are the main things we're going to stand for in sales? What's that foundation that we can build off of and create a world class sales organisation?

You know, I didn't leave a 22 year career with another company to come to Recall to be average. I didn't come here to be mediocre. We want to be world class. So how do we build a world class sales organisation? You've got to have a strong foundation in place that will last for the long-term.

So we came up with the five key foundation areas. Number one was greatest people. You've got to be fully staffed with A players all the time. And there's a lot that goes into that, and I won't go into all the details, but it involved a very specific hiring process, specific traits and characteristics that we know will make a successful sales executive or account manager, based upon the job. We redesigned the job descriptions. We put together a very detailed hiring process, what steps they go through so we don't allow non-A players to get on the team. Everybody that joins the team has to make the team better. So that's the greatest people part of it.

The second part was world class learning, and this is the training we provide to all the folks on the team in order to improve their skill set. We pretty much blew up and revamped the entire training process and it's been in place and everybody on the sales team has gone through it and we continually upgrade it. In fact we just recently hired a director of sales training - a person dedicated to just the sales and account management team regarding training. So we've got a big focus there.

Number three is flawless execution of our play book. This is what I mentioned earlier about the weekly routines. We've got our play book in place that we know if you follow the play book and you just have decent skills, you will be successful. If you do certain things and your skills are decent, you'll get good results. We can work on your skills and with that and increases emphasis on the activity, that's when you get the really exciting results. So the play book is in place.

The fourth part was professional development. It is frustrating when you want to build a team and you've got to go to the outside to bring folks in. We want to be able to promote folks from within our company. So in the area professional development - something I'm very passionate about - is developing a pipeline of people within Recall that will be ready for promotions when they're available. Now this is not only for folks that want to get promoted it's also for people that want to do other things and other roles - maybe with CHEP, maybe within Recall, it could be within their current role - is to continually develop our people, to enhance their skills, to get them ready for promotions and other opportunities. We have put a pretty neat certification program in place that gets them ready for that next opportunity.

So those are the four key legs to that foundation and if you do those four effectively number five happens automatically - which is deliver on our commitments, exceed our quota, exceed our commitments that we make to the corporations.

So we spent all of FY10 working on that foundation of the house of growth. That will continue. We're not going to stop. We're always going to be working on that. It's much like the business excellence part of the model that everyone else has shown that I haven't shown yet, and I'm not showing. I'm the first one not to show that slide. But the business excellence part will always continue. Same thing with our foundation of our house of growth.

Now, FY11's here, so we're at the point where if we're going to continue moving towards a world class sales organisation we've got to get a little more strategic. That's where the pillars of the house of growth come in that we're focusing on in FY11 and that's looking at market segmentation, customer segmentation, what is an ideal prospect and an ideal customer? Because they're not all perfect. How do we develop processes by market segment? Where and how and when do we want to grow and what markets? What's our brand development strategy? How do we retain customers? How do we identify customers at risk and what do we do about it? How do we retain and develop our A players that we're bringing onto the team?

So this is where our focus is shifting for FY11. As we continue to build out those pillars obviously the end result is the roof there you see and that's the profitably growth we've been talking about all morning.

Okay. Next is our pipeline. In any business - I don't care what business it is - it's imperative that you have an accurate and reliable pipeline to be able to run that business. If you think about it, each and every month I have got to give a forecast to my boss - to Mark Wesley - on what we're going to do by business line, what we're going to sell, what new products and services that we're bringing to corporation. Dan and Alison talked about the importance of capacity planning and staying in that sweet spot of 90% to 95%, right? Well I've got to be able to tell those guys what are we selling this month and where and how many cartons? What's the probability that it's really going to happen?

So, you know, human resources has got to be able to forecast head count. So many things are contingent upon an accurate and reliable pipeline. It's been a critical focus for us since day one.

Now what goes in that pipeline is just as important. Is the data accurate? Are we looking at the right verticals? Are we calling on the right types of prospects? All that has been a key focus for us over the last 12 to 13 months.

And regarding pipelines, not only is it a great leading indicator it's also a great lagging indicator if you think about it. When you look at your pipeline and you look at opportunities that maybe we didn't win, or when, or why is it taking a certain amount of time to go from the proposal stage to the negotiation stage within the funnel. You can come up with some good data there that can help you develop training around specific things that help you improve those ratios and improve their probability rate. So if someone is in the negotiation stage, what is the probability we're actually going to close that piece of business? So by having good data in your pipeline you can come up with all kinds of great training that's very specific to moving results in the right direction.

The good news is, our pipeline is up by 52% in the last six months and we're not done. We've got a long way to go still.

So the big question you guys are probably thinking - is it working? All this stuff were doing, is this working? We made a lot of changes. We track a lot of key performance indicators. I've just thrown a couple up here, the ones I have thrown up here are face-to-face meetings per week for sales executives and account managers, average days to first sales, up on the top right there. So once we hire someone on the team how long does it take them to make their first sale? Things like average number of accounts sold per month. What is the average size of these accounts sold per month? We track dollars in the pipeline versus dollars out of the pipeline. We're tracking all kind of KPIs and the early indicators, based upon the trends that we're seeing, are telling us yes that it is starting to work.

Last couple of slides here. I want to give you just a couple of examples of some sales wins that we've had in North America, to tell you a little bit about the flavour of what we're doing and how we're coming up with some of these wins.

First one is a regional financial institution regarding our data protection service business. The challenge the customer had was they didn't have a really good tracking method with our competitor. They were not convinced of where the magnetic tapes were being stored. Were they properly secured? There was concerns about compliance issues. They were fearful that if they were audited they may not be able to pass an audit from a disaster recovery standpoint. So their objective was obviously to get compliant with a high level of security and they wanted to partner up with a company that was innovative and that could grow with them.

So what we did was we met with all of the stakeholders within this prospect to understand truly what are their business needs? What are their challenges? And we came up with a solution relative to those needs and I think one of the best things we did was we showed them or proved to them how we could address those needs by bringing them out to one of our facilities and showing them exactly here's what we do at Recall to address your needs. The facility tours, very high closing ratio, and it's something we push very strongly. So we brought them out to our facilities, we then put the plan in place, they gave us the business and today they've got a very innovative partner that is poised to grow with them to provide them a very compliant secure data protection program.

The neat thing about this example is since we have rolled this program out - and we only rolled it out about six months ago - they have already asked us to come in and look at some document management storage possibilities with them - which they have a large inventory of cartons - and they've also engaged us to talk about some digital opportunities.

So that's one example.

The next example is a large national energy management company that actually audits their customers energy bills to look for opportunities for savings and to be sure they're on the right type of program. The challenge they had was they wanted a quicker turnaround time, they wanted improved accuracy, they wanted more of a process driven solution because they were doing everything manually. This was an unvendored opportunity. So their opportunity was put us in SOPs, improve their turnaround times, put together a nice workflow system that will last long term. What we did was we sat down and analysed their entire situation and came up with an analysis of what we recommended on how to solve the situation they were running into.

We then bought them into our digital facility and showed them how we would scan their invoices, use our software to take the certain characters off their invoice, put them in a format that they needed and then download them back into their system where they could analyse them and communicate back to their customers savings opportunities.

So we took this part of the business that they were not the best at and that we are best at and we brought it on and let them focus on what they're best at, their core competency. That business is on board and gone very well and we are now actually in a situation with them where we're actually helping their customers improve their cash flow. That's a neat example of one of our wins in our digital business.

Now, over the last 14 months, we've listened to our customers and put things in place to be a better resource for our customers. We've restructured the entire sales organisation. We've put an activity-based model in place to hold our folks accountable to our expectations, put a lot of training in place. We've added specialists in the area of digital and data protection and actually in a couple of other areas, all in the effort of doing two things.

I'll see if you guys paid attention earlier. What are those two things? Keep me posted -- a good one but sell more new customers and keep and grow our existing customers. We've built the entire sales and marketing organisation around those two things. After 14 months, I'm pretty confident in saying that we are optimistic that we will be able to deliver sustainable and profitable growth moving forward.

So at this point, I'm going to turn it back to Elton Potts to facilitate the Q and A session. Elton.

Elton Potts - ***Brambles - Group President & COO***

Thank you and I hope you stay employed too. Thank you for your patience, your attention so far. Let's open it back up to questions and we'll see who the right person is to hopefully provide the right answers. In the back.

QUESTION AND ANSWER

Scott Carroll - ***JP Morgan - Analyst***

This might be a question for Tim. Just in terms of the shredding business, I'm just curious how -- what you're seeing in terms of pricing from your competitors, excluding the paper. So just around the shredding price itself, the service fee.

Tim McBride - ***Recall - VP and GM Secure Destruction Services North America***

It's certainly a competitive business, there's no question about it. I think Mark mentioned it in his presentation. We are distinctly different than the majority of the competition out there. We truly are subject matter experts in security destruction. Consequently the value that we bring versus some of the competition is significantly different. We are certainly competitive from a price perspective. But we bring a whole different level of value, particularly when it comes to security.

Mark Wesley - ***Recall - President North America***

The only thing I would add to that is that some of our customers are prospects, the services are commodity, no doubt about it and those probably aren't going to be Recall customers, to be honest with you. But a lot of our customers in a lot of the market and more and more of the market view this as a value added service and not a commodity and those are the kind of customers that we're targeting and that we want to do business with.

Tim McBride - ***Recall - VP and GM Secure Destruction Services North America***

Mark is exactly right. Our customers, and I mentioned it in my presentation, our customers truly not just look to us but they expect us to be a partner and provide that peace of mind and that trust.

Alan Taylor

Yes. Elton, earlier Mark referenced some products and services that Recall is offering outside the US but has plans to role those out in the United States. So first some detail on that. And secondly, where are you hearing from your customers as to, particularly ones where you've had success stories like this? You mentioned the dinner with the financial institution. What are companies like that that truly do view you as a partner? Where are they pushing you to innovate and expand your service offering?

Elton Potts - ***Brambles - Group President & COO***

So some of those service offerings outside the US that we plan to bring here, and it's all about best practice sharing. If it works in market A it should work in market B. Of course, doing the due diligence on that. A lot of those are tied to extensions, adjacencies and services around the core document management solutions business.

For some people it's well, document management solutions is cart and storage. Well, no, it isn't. It's really a full information life cycle. So it's taking over some things that customers try to do for themselves today, at the beginning of the life cycle their information and a bit more at the end and helping them to make some of those decisions.

So those services we plan to roll out -- Mark, what, October through December timeframe? So we haven't yet announced those into this marketplace but there's five key things that the business will be bringing forward. Go ahead, Mark.

Mark Wesley - ***Recall - President North America***

I was just going to address Alan's second question about what are our customers asking us for. A lot of what they're asking us for focuses in the digital area. They're saying you do a great job managing our physical information, digital information is exploding, we're overwhelmed, can you help us in this area. So I would say that's probably the biggest where we see a lot of questions being asked to that.

Andrew Gibson

Just a couple of questions for you. First on circling back on CapEx. Internally within Recall, do you have any pay back periods or hurdle rates that you have to adhere to for CapEx and if so can you provide a feel as to what they may be. Secondly, a number of you today have talked about the upside from unvendored markets, etc. I'm just wondering, are there any constraining factors there as well? For example, might there be one financial institution that will never go with Recall because you're servicing one of their competitors or other factors like that?

Unidentified Company Representative

So I'm going to take the second part and Elton, I'll let you take the first part of that. So it's interesting, We haven't heard from our clients because you service competitor A, the financial institution's competitor, you cannot service us. I haven't heard that and maybe you guys have? No?

Unidentified Company Representative

No, that's never come up.

Unidentified Company Representative

I've never heard that.

Unidentified Company Representative

Instead what they want is look, we know that you do some neat things with some other financial institutions around the globe. Without compromising, you know, what's confidential with proprietary, what can we do better, what can we learn? So one of the things that we do is we try to help our clients, show them ways that they can be more effective.

Now, if we work out a proprietary system with customer A, we're not going to give that customer B. But part of what we do is we learn around the globe and we bring these best practices and they tend to value that. If your firm would like to do more with us, we'd be happy to talk to you about that as well. Allison.

Allison Aden - ***Recall - CFO***

With regards to the (inaudible) and the CapEx, when we look at any capital investment, be it the extension of capacities or be it investment in our information technology, clearly what we're looking for is the strategic long term pay back. There will be accreted to the current return on capital investment which if you remember from the early slide, we've been able to improve year over year by 1% basis. So we look forward to the investments that we're making being able to be accreted to that in the future.

Unidentified Company Representative

My challenge is us getting those things through Tom and Greg.

Unidentified Company Representative

The only thing that I would add is that obviously capital allocation is at the Brambles' level. So in addition to allocating capital within unique opportunities for Recall, that then gets measured against allocating capital across all the Brambles businesses. So when Elton and his team specifically we've given some visibility today to the IT initiatives. When that IT initiative was presented, that's really a decision at the Brambles' level in terms of that project competing against all other projects.

So the hurdle rates are required that are standard across the organisation and Allison, I think, hit the nail on the head. It has to be value accretive for us in order for us to be willing to put capital into any business.

Kevin O'Connor - ***Merrill Lynch - Analyst***

Just on the returns topic again, to what extent do you think you can drive higher returns out of this business because the thematic that you've been giving us is that in terms of your operational excellence, you're pretty happy with where the business is, including your ranking capacity utilisation as well. So the return on funds employed, return of capital employed, are they about as good as they're going to get and if not, how can you drive them higher, given your operational excellence of targets by and large?

Unidentified Company Representative

So we're pleased with our progress this past year but we're not done by a long stretch. In the area of carton storage, the document solutions, the core key to that business, there is a model in terms of how many cartons can you fit into a square foot or a square metre. That's the challenge and it comes under what does real estate cost and where is it and cost to serve and those models.

We'll continue to work to get better there. But if we think about then the other things that we can bring that don't require as much from a capital stand point, those can further augment and make the business even more attractive from return on capital stand points. So the five new service offerings that we'll be doing that are adjacent to what we do today in North America in the document management business will be accreted to that. The move into the digital space doesn't require the large footprint that the physical business does. So that can also, we believe, be accretive as well. Allison, any other thoughts there?

Mark Wesley - ***Recall - President North America***

The only thing I would add is that if you look at all of our service lines and our asset utilisation there's opportunities in all of our service lines to better use our assets. So as revenue growth comes in to fill up that asset utilisation which will provide better returns.

Unidentified Company Representative

Our friends at Chep set a pretty high standard so we always work hard to catch up to them and it's going to take us a little bit longer to get there.

Kevin O'Connor - ***Merrill Lynch - Analyst***

Just on Mark's point about asset utilisation, can you give us a little bit of colour on how much spare capacity there is then?

Allison Aden - ***Recall - CFO***

Well, what Mark's addressing is that, you know, particularly in the Americas, there will be some facilities that have varying degrees of building capacity. So as we target those areas through our sales approach, we'll be better able to take up that building capacity, rack it out and therefore drive up the returns on that particular facility. So it varies -- it'll vary from market to market.

Unidentified Company Representative

So for us, you know, you're dead on this, two key capacities. There's racking capacity and there's building utilisation capacity. Building utilisation capacity is never going to be as good as your racking capacity because you've always got to have the space. So it runs a little bit lower and it comes down to the strategy that you take in each individual market and in each facility that you choose.

In one market, we may choose to do a new build from the ground and build it in a pod methodology. So we'll construct the walls for the first section, we'll fill it up and it's finalising being filled up, we'll start constructing module B and we'll continue the pods that way. In other markets where that isn't economically feasible, that kind of real estate is just not available, you'll take an existing building, you'll start -- ideally you'll start with the amount of space you need and take more over time.

When that doesn't work, it forces you then to go to another building and you want to be as close as you can to building A to building B to reduce your logistical feats.

Kevin O'Connor - ***Merrill Lynch - Analyst***

Great. Thanks you very much for that.

Russell Shaw

You haven't spoken much today on the digital side. I just wanted to get a sense -- obviously I appreciate it's a much smaller part of the business but sort of what the sales growth trends looked like over the last few years from a CAGR perspective and also whether that has also gone backwards during the GFC from a transaction perspective?

Unidentified Company Representative

So in the next section, I plan to talk a little bit about the digital space. So we will talk about that. We do see it as a key growth opportunity but it's going to be driven by our customers and their need and desire to move into that area. One of the neat things about the variety of customers we do business with is we'll have one customer who's still doing the manila envelopes internal mail and the next one saying I'm going to paperless in five years. So it's a very wide variety.

What we see there is that's an area where we expect much faster growth than any other portion of our business, largely because we're coming off with a smaller base. We've tended to see good growth and I think Greg mentioned this when he did the earnings announcement. We did have one digital customer in Europe that was a governmental client who said, look, when this business comes up to be rebid, we're going to say you have to have two suppliers instead of one.

So that piece given its size did affect our overall digital growth last year. The neat thing for us is we kept the pieces we wanted. But I'll get into more detail in just a bit. Any other questions at this time? Okay. The last section before -- we'll do a little Q and A and then lunch.

So I want to focus now on profitable growth. So you've seen our strategic pathway slide. Most of the presenters have shown it and you've heard us talk a lot about business excellence which was the foundation of what we've done. The focus now is to turn more to profitable growth. So I would hope that at this point, you've heard that we're pleased with our financial returns last year and we plan to continue to grow our business and to grow profitably.

I hope that you've also heard and had some confidence that we have done a successful turnaround in our North America business. You know, as Tim said, that work is not done and with a continuous improvement culture, we will continue down this path. I want to now turn my attention and your attention to some industry trends, some things that are affecting our marketplace and let's talk about those and how we're responding to that.

We'll start with regulation and oversight, the popular ones, Sarbanes-Oxley and HIPAA which is in the medical field in the US, these types of regulations and how they drive increased demand in our industry space. The biggest challenge for our customers is understanding these regulations and then understanding what their cost is if they don't comply.

These can be major issues and Dick talked about a customer who had some issues in this area and said look, we cannot be satisfied with our current supplier, it's time for us to do something different and better and can Recall -- I'm sorry, Dick, it was actually Dan that said that. My apologies.

Now, how do we add value? One, robust security. So we make sure that we keep their information secure. We have industry leading audit and tracking capabilities which is very important to them. You'll see some of this tomorrow. We offer them consistency around the globe, which we'll jump into another trend in just a minute and we can provide them with advice that keeps them out of trouble.

The next piece that's very closely tied to that is identity theft and privacy. This is something that's gaining awareness around the globe and just this year in Mexico, the federal law for protection of personal data was passed. Now, identity theft and protection of personal information is a big topic in the US. It's becoming and is a big topic in the UK. It's growing in Canada and Australia and now we're seeing laws being passed in other countries as well.

This makes companies who deal with the data of individuals outside of their own firm and frankly their own firm, it makes them stop and pause and make sure that they are in a position to protect themselves, their customers and their own employees which drives more demand for our services. If you've read any headlines in the last couples of years, when a company has a serious breach in this area, it can cost them millions, just in monitoring costs and notification costs and it can cost them even more than that in terms of their company's reputation.

For us, we provide to them stringent and consistent standard and procedures. The full life cycle of information management, from the beginning of the information all the way to its destruction and both physical and digital protection. So we have a global director of safety and security who has a Master's degree in security engineering and has worked in both retail and in a financial institution. So a strong background in this area.

We also have a director of digital protection and security that ensures that our firewalls are safe, they're continuously tested and that we protect our customers' information from that regard also. You heard several members of the team talk about training. We can have the best systems but we also need our team members to understand what must be done and to be well trained and diligent to protect the information of the companies that we serve. Then we also have a strong internal audit process as well.

We talked about the services that are adjacent to the core document management solutions business. If you think about the global financial crisis that's hit us over the last couple of years, one of the things that many companies did to respond quickly was say we're going to make a certain percentage of our staff redundant, 5%, 10%, 20% in some cases. Companies responded very quickly by doing that.

However, they did not respond quite a quickly in taking away the work. They did a great job reducing the staff but the work that staff did didn't all leave at the same time. If the staff was tied to something that was volume related, yes, the work went away. But if it was the core running the business, the work didn't leave. So companies now are looking to outsource more and more.

They're looking to do things in a way that makes them more cost effective, whether that's from a time standpoint or from a pure cost standpoint as well. They also are looking to free up their space and their internal resources so if I've got to deal with a less head count, I want my head count focused on my core competencies, not these ancillary things.

Some firms have gone to hoteling their office space because they're trying to shrink their overall office square footage. So again it reduces the amount of space that the individual employee has to keep information. So more and more that is being pushed to a third party supplier like us, including many firms are saying please take my active files, not just the things that are for long term storage.

They also say look, with fewer people we're not able to make sure that we are perfect when it comes to chain of custody and the security of this information. We just don't have the ability to be perfect internally. Let's go to a third party who can make us more effective in this area.

So our goal is to make them more efficient by adding productivity for them and reduce their complexities. We provide the full life cycle management and we provide, as we talked about before, global best practice sharing. We try to fit our solutions to their particular needs. It is not one size fits all. Globalisation becomes a key piece of this as well.

In a time when you see major markets like Europe and the US and you're questioning how fast are these growing, what is the GDP, are they in recession or not? You're seeing people turn to other economies as being their key growth engines. However, in some of those established markets, we've also established, all of us have, the way to do things. If you go into an emerging market, those fundamentals, those basics, are not in place and you put in place your global reputation.

You put it at risk if you don't have the same consistency from a record keeping, a security standpoint or from a service standpoint to your customers because if one of your customers is also a global firm and they do business with you in some of the more established markets, they expect the same level of service and the same protection of their information and emerging market as well.

So we roll out our standard operating procedures in every market we would do business. We give them one point of contact to reduce their complexity. Because of the best practice sharing that we do, we give them a chance for competitive advantage and our standards, as Dan and Tim talked about, are very rigorous and consistent from one market to the next.

We also take a partnership approach with our customers and listen to them about where they need us and we have, through the strength of Brambles, the ability to invest and grow with them. Sustainability. Now, Tim talked about this in terms of the secure destruction business and how we recycle all of the paper and other materials that we destroy.

So clearly the environmental footprint is an emerging topic. It's been a topic that's been a little less heard through the financial issues we've seen in the last couple of years. We also bring to them financial stability and Allison showed you a slide about the amount of cash flow that we throw off after our investments, compared to our profitability.

Then social responsibility. If you take a look at what we do, we save three million trees a year through the recycling of our secure destruction material. We do have that long track record of financial strength and we have quite a bit going on in our local communities to give back. If you get a chance, talk to Mark this evening about the work the North America team is doing to support a school and to help some under privileged kids to get that chance in life.

We talked about paper and we said paper is not going away any time soon. So I've listed this as a trend because it's been a question in the past. If you think about paper that's used, it's something that we all still see and touch and utilise. The 10,000 pages per office worker per year, 7% of all documents are lost and 3% are misfiled. If that's your company, please talk to Recall, we can help you.

The piece about spending time every day looking for information. That is something tied to paper but it's tied to the digital space as well. So we see paper as a trend that will continue for the foreseeable future. Now, at the same time, digitisation is coming and it's coming stronger and stronger. It is a way, if you have physical documents in a carton, they're in one place and with digital capabilities, you can have them stored and backed up in several places. That's a very good thing.

The other very positive benefit is this data stick holds one gigabyte which is the equivalent of those 10 cartons. So there's a key space value from this. Now, it's a lot easier for me to lose this than for me to lose those, for me as an individual. So you have to be careful when you switch to pure digitisation. If you think about the abilities you have when you go digital, you can take a piece of paper, image that document and then with optical character recognition, you can pull data fields off of it and make them useable throughout your entire systems and throughout your entire business enterprise.

That's powerful and you can have people in different parts of the world seeing the same information at the same time. It's fantastic to improve your timeliness, your efficiency, your responsiveness to your customers. You can search through multiple key words for it, you can go across many different applications you have to search for information. It becomes very, very powerful for you.

One of the neat things in an area that's an opportunity for us is workflow where you have a consistent process; accounts payable, a human resource process, mortgage lending, contract approval, those types of typical workflows are something that we can automate for you, digitise, extract data, route them to the right people within your organisations so that the right people are only dealing with the piece they need and it moves to them quickly. You can give your customers answers faster than you could before.

Now, as we move into digitisation, it's not something that we blindly do because at the same time, you have security issues. The security issues you have from a digital standpoint are different than from a physical standpoint. If you don't have the right protection in place, the right firewalls and all the right security measures in your systems today, you don't know when your information has been accessed by somebody who shouldn't. It's much easier to protect the physical asset instead.

Clearly information retrieval can be a challenge as well. I'll use myself as a perfect example. On my laptop, I store all sorts of information, all sorts of files. The challenge is when someone says remember that thing we did 15 months ago and it looked like this and I think you did it in PowerPoint, finding it is a bit more of a challenge. Now, I know some of you are in a much better place than I am from that standpoint but it's important when you file information digitally that you can find it later because in that area, it's actually easier to look through paper than it is to look through a complete system to find something like that.

So digitisation creates new challenges and new opportunities at the same time. Ninety five per cent of all information today is digital in its creation. We still print 10,000 pages of paper a year. Isn't it great? Seventy per cent is never printed and we still print 10,000 pages a year. Isn't it great? Only 10% of corporate information is numbers. The other 90% is our creativity, it's what we do, it's what we create. It's how we add value. Personal computing has given us the ability to do a lot more of that than we ever have before. It doubles every two months. Now that also creates challenges for the same organisations to manage all the information and the intellectual property that they have.

So let's start with you've got a company that's been successful, has been in business a long time, they're a customer of Recall today, but they want to move more digital because it makes sense, it's the right thing to do. So for that customer, today what we offer to them and what they've done business with us in the past is based upon physical records management. But let's walk through how that is in place today and how it will be in the future.

So you start with a customer and they have their existing archives and they have new items that they want to archive as well. The first question you ask to them is, do you want to leave this as paper, do you want to covert it to an image, or do you want to do both? That leads to the first question and the first decision point and if they say, okay, let's leave it as paper, the next question becomes, we have this paper, do we store it in your archives or do we destroy it today? If they say destroy it today, then Tim and the secure destruction team will take care of that in a very safe and secure method.

If they say, instead, we want to keep it in our archives, today we provide to them a variety of choices. For simplicity we say the first one is we keep it at the carton level, or we can also keep it for you as active files and we have some customers that we manage the individual piece of paper, we barcode individual pieces of paper and manage it at that level.

Now the customer may say, well in addition to or instead of paper, let's image this item. So then we go to imaging and within imaging we can host your images within our data centres, or we can use our existing review technology which our customers use today to help them with their physical archives so that they can see their documents right there. Or we can actually provide to them a workflow and we can route it for them to the right individuals in the organisation to make the decisions they need to make their business most effective. All of that is done in a very secure way using our firewalls and protocols to make sure that they can only see the information they're supposed to, down to the individual employee within that company and no-one else can see it.

So we're a company that has a strong background and history when it comes to the processing of information, especially from a paper standpoint and this is how work happens within businesses. We have the capability to take that and do it for a company from a digital standpoint as well.

Now all of those industry trends are fairly positive for Recall and we're quite happy about that and it's a nice place to be. There are challenges as well. We clearly have a demand for talent and when Dick says, that it's frustrating to have to go to the outside to bring in someone for a role. But as we see ourselves expanding, this is a key challenge that we have, is having the appropriate talent in the right place at the right time. So you've heard several members of the team talk about training and talk about the development and talk about the standards we put in place from a recruitment standpoint so that when we make that hiring decision, we get it right the first time.

The pace of digital evolution, now there's two parts to this. The pace of digital evolution is partially the pace that your company chooses to move and evolve into a more digital workplace. But the other part is the technology that's changing and expanding every day. So what we have to do is we have to provide flexible solutions that are still mainstream, they're not bleeding-edge technology, so that they can work with you whether you're very comfortable if it's just paper, somewhere in the middle or fully digital. The products that we provide from that standpoint are focused on the ability to be able to evolve from one level of technology and desire to the next.

We talked about the spending that we're going to be doing in the IT area and this is about scalability. So our systems today manage what we have, but we've talked about we want to be able to grow our business and grow it at a fast rate. Dick, I think that's what you said you were going to do, right? Because Tom wants you to keep your job, yes. So as Dick brings on new customers, the systems have to be able to scale with them and be able to handle all the new volume that comes on board. So this is critical for us. It will also reduce any errors caused by systems and it will reduce the challenges and the costs we have today to do things manually. Some of the solutions that we provide to our customers today we use as well, but there are things we need beyond that.

The unvendored segment. It's this large thing, two thirds of the entire business is unvendored roughly and it sounds so simple to go out and get it. But our entire industry still has two thirds unvendored. So for us it's bringing on the right sales professionals who are focused on the smaller accounts and when Dick showed his slide of the organisational structure, he has a team focused on smaller customers and those customers who are unvendored and a way to segment and target that market more effectively. Brand awareness, sometimes I think we're a great secret. We've got to do more internally to make our name better known and one of the things Mark talked about is having a customer who raves about your service. That's great, but we have more work to do beyond that. So one of our challenges is finding a way to invest in our brand and increase the awareness of it. We have some plans of how we'll do that over time.

Within Recall, we have many profitable growth opportunities and as we've spoken with you today, a lot of our attention has been about business excellence and business excellence is what we've done. Hopefully you've gotten a sense that our attention has turned more and more to growing our business profitably. Now we'll never take our eye off business excellence because it's the foundation we work from and we have our black belts and our teams and folks like Dan and Tim who are focused on continuous improvement, being more cost effective and more productive day in, day out.

But we've invested in the sales team to go after some of the profitable growth opportunities that we see. In the slides that both Alison and Mark showed you and they were fairly consistent both globally and within the North America business, when you think about the organic growth of our annuity streams. So we have customers today who keep records with us and they tend to continue to grow year after year. That's a great growth opportunity for us and one that we don't take for granted, but it's something that we do expect to continue. In addition to that, there is that unvendored segment and we've talked about focusing a team on converting the unvendored because it's another great way we have to grow our business.

Another item that we can do is many of our customers only take one of our services today. So how do we effectively, with the sales team that Dick has put in place, how do we effectively cross sell? So if a customer is taking secure destruction services today, how do we get them to entrust to us their document management needs also, or their data protection needs, or a new digital solution for them?

THOMSON REUTERS

We are also following our global customers as they expand around the globe. We're willing and able to go with them. We will move into those new markets as they make sense and we'll do that from a partnering approach with our customers. We have spoken a little about the digital expansion and that's something that we see as a key growth area as we move forward. We talked a bit about the best practice sharing of taking services that are successful in market A and putting those into to territory market B. So clearly another way that we have to grow our business.

Finally, we spent the last two to three years focusing on our core business and making it better and more solid and calling that business excellence. We're in a position now where if we see an opportunity, we'll consider it, whether it's opportunistic or it's strategic, to move into and to fold into what we have today, another company. So these are things that we'll be looking at as well. They key point there is that business excellence as a foundation allows us and supports our move into profitable growth in all these different ways.

I want to thank you for your time and your attention this morning. I realise for many of you it's a different time zone and you'd probably be in bed at this time and hopefully we didn't put you completely to sleep and I hope that you'll take away from this that we are pleased with our financial results for FY10 and we look forward to FY11 as well. We'd love to see the economy improve, I think that would be even better as we look at FY11. Hopefully you walk away with a sense of comfort regarding the turnaround of our North America business. Please, as you see some of our folks tomorrow at Fontana on the tour in the afternoon, get a sense there as well. I hope that you see that we're very much focused on profitable growth.

So with that, thank you and Tom, if you'll join me, we'll take any other questions.

Unidentified Participant

Just curious, when you see a customer typically moving from physical to digital, how have you seen the revenue and the profit for customer change as they make that migration?

Mark Wesley - ***Recall - President North America***

I think it's pretty tough question to answer because it depends on what portion of their business that they're converting, how much of the business they're converting. But I mean the digital business for us is a very profitable business. We have no reason to not move them because one business is more profitable than the other.

Unidentified Company Representative

One of the nice things we see is if the company switches to more digital than physical, they don't tend to get rid of their archives they have to date. So their existing holdings tend to stay in place. It becomes more additive than anything else.

Unidentified Company Representative

I think often it's probably fair to say that just the capital intensity of the two businesses is quite different. So the return on capital of a non physical business is significantly higher and the objective here is how do you make that digital business a larger portion of the total.

Unidentified Participant

I was wondering if you could elaborate a little more specifically about your growth prospects for the business overall, looking out over the next three to four years. So there are a number of ways to cut it, but how fast do you think the different segments of the market will be growing, either by region or by segment, GMS versus SDS, et cetera, you have a competitor that's four times as big as you, do you think you can grow faster than them or do you expect to grow in line with the market? What are some of the investments you need to grow faster than some of your competitors?

Unidentified Company Representative

Well maybe we'll split this, I'll give you the Brambles view and then we'll get more specific if you like. First of all, you made one comment about the size of the primary competitor, but I think you do have to look at the footprint differences. So clearly when you look at Iron Mountain, their footprint in the North American market is significantly larger, but when you look globally and you look at what Recall is able to deliver for our global partners, it actually far exceeds what you would consider their normal sizes, sort of a $700 million to $800 million business. So I think that's a huge competitive advantage for Recall as we look to manage portfolios for our customers on a global basis.

In terms of growth, what we indicated when we gave our earnings releases that we would get growth in every one of our markets around the world, so each one of our businesses is how we're referring to that. So CHEP Americas, CHEP EMEA and CHEP Asia Pacific and of course Recall as well. The other indication that we've given is that the major economies that we participate in around the world globally, we're not seeing a lot of organic growth coming from those markets. I think what you've heard today and consistent with what we've said is that the pricing environment in all four of our businesses continues to be somewhat subdued is the terminology that we've used. So we don't see a lot of pricing opportunities. Elton and his team touched a little bit on some of the pricing we're able to get in FY10. So the growth for us is really going to come from what we refer to net new wins or market share growth. I think you're going to continue to see that in Recall in FY11.

We're committed to investing and we said that, I think Alison showed you today some of the absolute numbers in terms of capital. But what we've said publically is that our CapEx would come back to a run rate that looks more like FY09 than it did in FY10 and 25% of that increase year on year would be really going to Recall. So we are funding Recall and a portion of that is around funding growth. So we're optimistic about the growth of Recall in the near term. I don't know if you want to be more specific than that.

Unidentified Company Representative

So I guess a couple of things beyond that. A key reason why we've seen secure destruction volumes where they are is tied to the economy and we believe that as the transactional portion of businesses comes back, that we'll see that pace pick back up. So we're cheering for the economy to get back to what we would call normal, if you would.

Finally, I guess Dick said he didn't come on board to be mediocre and we're not investing like we are from a sales standpoint to maintain our current growth rates. We think that there's an opportunity in our markets and we think that customers value the services we provide and Mark talked a bit about the competition and how we sell differently and provide services differently than they do. We see that as a key way that we're going to grow going forward.

Unidentified Company Representative

I think just from an expectation standpoint, may be just to close on this point is that our expectations for Recall's performance this year are quite high. I mean you've seen the trend and this team here and what they've been able to do over the last three years, this concept of really fixing the business and business excellence. But we're really we believe now in a phase of delivery and we expect that this business can really continue to perform very strongly in the near to medium term and that's why we're putting the capital in the business. We expect that that capital is going to give us a very strong return.

John Guadagnuolo

On this growth and capital intensity question and it's been touched on a couple of times, if you say, okay so you're investing into the sales team so you're expecting your rate of sales growth, if you like, to accelerate? Is that a--

Unidentified Company Representative

Yes.

John Guadagnuolo

You're spending capital to facilitate that, so when should we expect to see -- you mentioned CHEP's return as a sort of a high water mark, when do they converge?

Unidentified Company Representative

Well look maybe can we both -- this is why I'm up here now, is to protect the answer. Look--

John Guadagnuolo

I don't mean one goes down, either.

Unidentified Company Representative

No, that's the second part of the afternoon, they're going to -- that, I can guarantee, one of them is definitely going to go up here. Look I think they're two different businesses as you know, they're quite different businesses and they have quite different physical characteristics, therefore they have quite different financial characteristics and that's to be expected. What I think you've seen here that we're pretty proud of, the Recall team, is that we're now in a position where it's VBA positive and so they're returning more than our cost of capital and I think that's step number one.

Now I think what you want to see is to continuing to expand on value of creative opportunities, so rather than just saying okay we're going to take the returns on this business and migrate them to a CHEP level of returns on capital, what we really want to see is continued profitable growth. So we're returning more than our cost to capital and we want to growth the business. So I think you put those two together, you know that we're not going to say by Thursday of, you know, 2013 we're going to have X or Y, you can write it down, but that's not -- what we're trying to indicate here is that the business is in a better space today than it was two or three years ago. It's earning its cost to capital and we believe we have valued creative opportunities to continue to invest capital in this business. That's really the message that you should take away from today.

We want to see an improvement. The real thing I think is also obvious here is -- and this goes to what Dick is doing and it goes to what Jason's doing -- the ability to leverage the business is now important to us, is that we put some things in place that are this idea of scalability in growing the business without adding fixed costs, putting systems in place that allow us to really better utilise our people.

One thing Elton didn't mention I think when we talked about the SDS business, you showed the real focus on controlling cost, but we also restructured the Recall business in FY09. When Brambles went through a fairly significant restructuring, most of those people came out of the Recall business and the CHEP EMEA business. So it was an opportunity for us to get a better handle on our cost. The art now is to grow the business without adding the overheads and that's, I think, going to be the challenge going forward.

Unidentified Company Representative

So I will apologies for my competitive nature. Internally to manage a business you say, look at your sister company, we want to aspire to be like them. We want the CHEP business to continue to do very, very well and to grow, but for us it is a different business than the CHEP business and I think that our returns today, for the type of industry that we're in, are very, very competitive, but I think we still have room to grow.

Unidentified Company Representative

I think absolutely agree that you have to -- first step one is to return your costs to capital, but you have to exceed that and there's opportunity for us to improve here, without a doubt.

Cameron McDonald - ***Deutsche Bank - Analyst***

Just a follow on question to that, Tom the capital investment decision that was made to invest in Recall and you mentioned before both businesses have got the same hurdle rate from the capital allocation decision, is that decision based on effectively, assumingly it's based on the incremental CapEx rather than the existing business performance?

Tom Gorman - ***Brambles - CEO***

Absolutely, so you're making the decision on the margins, so the capital that you're putting in place, it has to return greater than your cost of capital for that investment decision. But that's your question?

Cameron McDonald - ***Deutsche Bank - Analyst***

Yes, so it's on the incremental?

Tom Gorman - ***Brambles - CEO***

The answer is yes.

Cameron McDonald - ***Deutsche Bank - Analyst***

Presumably the hurdle rate is not the cost of capital, there is a hurdle rate above that cost of capital?

Tom Gorman - ***Brambles - CEO***

Most of the way companies do capital allocation is when you have a limited amount of capital, so you can set the hurdle rate significantly above your return on capital and that is a way that you allocate. Now you have to take into effect risk and everything else when you're making capital allocation decisions, but I think it would be safe to assume that the returns that we're looking for are well above that.

You also should know and this is no different from any business around the globe, is that returns on capital differ by region, by business unit, by product mix and so forth. So it's not that every piece of our business has the same exact return. So what you try to do obviously is to grow those that -- if you can de-risk your business while growing your value, for our shareholders, that's the ultimate thing that we're trying to do.

The stuff that we're doing next year is very straightforward in terms of our facilities and so forth because we have growth prospects, we have growth expectations, we're managing our capital very efficiently in terms of capacity utilisation. I think Elton and the team touched on that, vis-a-vis rack capacity and footprint capacity. I think the difference, if you want to say there's a little bit of a difference in the FY11 plans, it's really around now stepping back and putting a better IT foundation in the business over the next couple of years and that goes, as I mentioned to you at the break Cameron, it really goes to this idea of scalability. Can we grow this business and if we're going to grow it efficiently, we really have to have better systems on place, not just on the sales side, but on the operations side, on the finance side, all of our systems really need to be strengthened and sort of unified as opposed to the hodge-podge of systems that we've built up over a number of acquisitions.

Unidentified Participant

I'm actually -- what I'll ask probably be very naive. I've been looking at and following Brambles for a long time, my boss really loves your company, but typically I've always looked at the CHEP side of the business because I always, you know, Recall always seemed to us to be tremendously subscale. It's very nice to hear all the arguments being placed today about the opportunities for growth and the fact that you're pretty serious about it.

Having said that, it still begs that question that how do you get into scale? The scale makes a difference first of all, that's something that I'd like to know. How do you get into scale because as somebody else pointed out, Iron Mountain's four times the size. Does it make a differences? If you are growing, most of what I've heard from you today is you're talking about unvendored opportunities and focus on growth in that, is that the only scope for growth or is it going to be acquisitions? How do you get to that scale to make this a truly doable competitive business?

Unidentified Company Representative

Well maybe I could touch on a couple of things. I think that look, it is a good sized business today and one of the challenges, when you look at it within Brambles, there's a portion of Brambles that's 80% which is the CHEP global business and then there's 20% which is the Recall global business. So a little bit of just you kind of think of Recall in that way just because you compare the brother and the sister or the two siblings together; one is a little bit larger than the other.

I think when I look at the Recall business, if you look at the business fundamentals, the business fundamentals are very strong and I think we've tried to demonstrate that today. It has a very sticky feel to it to when customers join us they tend to stay with us for a long period of time. It has a beautiful annuity feature to it. We bring real value to the customer, so the value proposition is very real. There's a trend, all the trends that Elton mentioned and talked about at the end, particularly a move towards outsourcing, a move to understanding the space of business process outsourcing, we're really moving with Recall. There are a lot of opportunities here to continue to growth the business.

We have one other competitor and that competitor, as you correctly point out, is significantly larger but that doesn't mean that there's not a lot of space to grow. My view of what Recall has been doing is a little bit of both, winning the unvendored space, but we also win market share from our competitors. So you will see a net in our wins and losses. There's a lot that is unvendored. But there's also where we've gone out and for all the reasons that these guys have mentioned today, we're more flexible, we're seen as very innovative, as the number two in some ways we try harder and respond to the customer in a better way and we're able to win share from our competitors as well.

So just because they're larger than use, we're still a solid number two player and we see growth is going to come both from winning market share, from winning space in the unvendored market and we did touch on this, albeit very briefly, if there are opportunities to acquire businesses where the footprint makes sense for us and the customer base makes sense for us, we would also consider that. So that's really where the growth is going to come in those three buckets. Taking share from somebody else, converting the unvendored and then as appropriate, building on with an acquisition if we think that fits the model well for us.

Elton Potts - *Brambles - Group President & COO*

I'll offer one other thing that comes to scale. As an investor, clearly you're looking for scale in terms of us growing the size of our business relative to the overall Brambles piece. I'll look at scale from the other standpoint. We're not disadvantaged in our marketplace. So one of the examples that we gave was one of the largest financial institutions in the world, who globally has elected to use Recall as its records management provider. So from a scale standpoint, we met their needs. So I'll look at scale slightly different than the way that you're coming at it, but we like where we are and we plan to continue to grow the business.

Unidentified Company Representative

I think that's absolutely, Elton, that's a great point, because I was coming from CHEP is here and Recall is here in terms of size, but as the customer sees the Recall business, we have a great global footprint with great market coverage and we have a suite of services that allow us to deliver value on multiple different fronts.

Unidentified Participant

Elton, as it pertains to the brand, Recall faces -- it's not a household name. What is the vision as it pertains to the Recall brand, number one? Number two, what do you see as how that goes back to the issue of scale? I mean how much of that relates to your penetration within the broader enterprise market?

Elton Potts - *Brambles - Group President & COO*

So look, we have lots of different things that we want to spend our time and our resources, our scarce resources on. The approach that we're taking today from a brand standpoint is the one that is let's invest our money today in things like the sales force that not only can they make the potential customers aware of the brand, they can also bring something home pretty quickly with them.

Over time, we will see some other and we're increasing it today, but at a slow pace, we'll see some other investments being made into brand. But for now and in this economy, it's much more prudent to take the approach that we're taking.

Unidentified Company Representative

We are, it's a B2B industrial service that we're selling here, so you're not going to see -- we're not going to cut television ads here with Elton and his team. You're not going to see that. But I think if you look at even the subtle things that we do, how we brand our trucks and the vans and market our presence in the specific trade sectors that we need to be present in and also the relationships that we establish, there is quite a bit of word of mouth and soft marketing, if you will, that is helping the team. We don't spend at the same level as our competitor, we know that. But I don't think that, to date, has been a hindrance for where we want to go. But clearly it's something that Elton and the team want to push more aggressively and will do that, but we're going to do it in a measured and disciplined financial manner.

Unidentified Company Representative

I might just ask James, if he's around, maybe just to come up. What James will do is just give us the logistics for lunch and then we'll go, we'll take it from there to coming back and then focusing on CHEP. But just again, on behalf of the entire Brambles team and I know for the audience today, you're going to get time with Recall management obviously at the break and during lunch and then tomorrow as we tour their site. But just thank Elton and his team for taking us through their business and spending their morning with us. Thanks guys, appreciate it.

Unidentified Company Representative

So thanks everyone. Lunch is served directly outside, there's some tables set out. It's a buffet style. Looks like a good spread they've got for us.

00 sharp and Jim Richie and his team will take us through CHEP Americas business. Thanks.

PRESENTATION

Tom Gorman - *Brambles - CEO*

We'll just let people kind of wander back in and I hope everyone enjoyed lunch. It was both a positive and a negative for me. If you were watching I did have both carrots and broccoli and then I had two scoops of ice cream and loaded M&Ms on it. So balance is everything in life, I think.

Again, just to thank you for this morning and the focus on the recall business, and now we're going to shift the focus for this afternoon to the CHEP Americas business, as we indicated earlier. So without any further ado, it's a real pleasure for me to introduce you, to take you through the afternoon session on CHEP Americas, a good friend of mine Jim Ritchie.

Jim Ritchie - *CHEP Americas - Group President*

Thanks Tom. We're going to go through the rest of the afternoon talking about CHEP Americas and that will actually spill over into Friday morning, and Friday morning will have Mike Dimond here to talk about the business in Canada, Arturo Cabrera to talk about Latin America and Karen Hempel will finish off on really more specifically around the SME targets, and how we're going about attacking that market.

So today there's a couple of themes that hopefully you'll take away. First, we're going to talk a lot about delivering on our promises and meeting our promises to customers. That's critically important for us.

The second theme is really about making sure we're building a foundation for success, and it's not just success in any given year, but we're really looking at the business and the things that we're doing in the business right now as the long-term endeavours that we need to make sure that we've got a very solid foundation and platform.

Then lastly, that theme is around how do we transform and really become that high-growth organisation that we believe we can be within CHEP in the Americas.

Now let me be a little more specific. We're going to talk about the Better Everyday program and we're going to get relatively granular in that and we're going to talk about some of the initiatives that were embedded within that Better Everyday program. First and foremost, we're going to talk about product quality and we'll take you through some of the rigour and the business processes and discipline that we've put in place to make sure that the product quality that we have in the business today is maintained in this business or continues to improve in the months and years ahead.

We're going to talk a little bit about some of the innovation that we're bringing to the business and we'll take you through some evidence of different things we're doing to really drive innovation and new thinking into the business that certainly hasn't been there for some time, and granted relatively new.

We'll talk about ease of doing business and what we've done in the last 12 to 15 months to really improve how we become easier to do with business with customers. Then lastly we'll talk about our sales organisation and how we modified the organisation to get closer to the customer in order to become more responsive and to give the customers what they need today, as well as what they're going to need in the future.

So as we prepare to do that there's a couple of things I'd like to note. I'm not going to talk all that much. I think it's more important that you all get a chance to see the team, the team that's really making this happen. So I have a few opening comments and then we're going to walk through some of the people that are on my team and direct reports of mine but also down through the organisation at VP level and at Director level, so that you get a chance to hear from people at different levels in the organisation that are really spearheading some of these key initiatives that are helping us stabilise and then propel our business going forward.

More importantly, it's the team that's making it happen. We've got over 300 people that were involved in executing on the Better Everyday initiatives. They all could not have been here but I've been blessed with a very, very, very talented team.

So for those of you that I haven't met, I'll give you a little bit of my background. This is the third job that I've had in my lifetime. So I'm not exactly a job hopper. The first job was with Ryder in their Innovative Logistic Group. I spent 23 years at Ryder and ended up running their Consumer Products and Retail Group within the Logistics Business Unit.

It was a great proving ground and training ground, because you got to run those businesses as if they were their own independent businesses. I left Ryder and moved to a company that's now known as YRC Worldwide, which is a large transportation, primarily trucking, organisation. Eight years ago we started and launched a logistics company. I was employee number eight and we were a high-growth organisation and we were able to grow that business to where we doing business in 43 different countries and had 5700 employees before I left and about $1 billion in turnover in a seven year period. From there I've come to CHEP, which has been very, very exciting.

So when I came to CHEP there was a couple of things that I think I want to share with you as to why. Clearly, it's a just that had its challenges, and I called a number of customers before I actually started. Two weeks before I started, I started calling customers, introducing myself - it had been announced - and asking for permission to not come see them right away because I really needed to learn and understand the business and we really needed to put processes in place to help propel and improve the business.

One of the customers said, if you were looking for a tough job, you found it. I've got to tell you it has not been easy but it has been extremely exciting and it's been very easy to come to work every single day, because what we're doing is a tremendously exciting part of the business and it's been a tremendous amount of fun.

But what attracted me to CHEP and to Brambles is that this is a business that has a history of success, not just success financially but success with customers, but from a supply chain perspective. When CHEP came to the US, as well as the rest of the Americas, it changed the productivity matrixes in terms of the supply chain and how well products move through the supply chain. It has a material impact.

So it was a tremendous successful business model that I was able to come and have some role and some part in. We also had a presence from a pallet pooling business. We really have a very strong presence in that business. We certainly have competition now, and that's great. But we've got a very strong presence and I think, by any accounts, if you look at our customer base it is a customer base to die for in terms of the Fortune 500.

So having the opportunity to interact with those customers, many of them I'd had an opportunity to interact in my past lives. But certainly to get re-engaged with those, with somewhat a slightly different business, has been a real joy and a pleasure and something that was very attractive to me as well, because you certainly want to make sure that you have a business that can impact the kind of companies that we're doing business with, and that's certainly been true.

I also looked at key leaders that we had. Oftentimes when you come into an environment, and let's face it, the business was not performing as well as you would have expected, certainly not as well as Brambles would have expected, and not as well as the people that were working in the business would have expected.

So there was a lot of things that we wanted to get done and a lot of changes that we wanted to make. Part of that foundation is you want to make sure you can lock in some real key experienced leadership. Do you have to make change with some of the leaders? You do. But do you want to change all of them? You certainly don't. You want to make sure you've got a nucleus of people and talent that understand the business that you can build from, and I think we have that. You'll see with some of the folks that will talk to you today as well as on Friday.

Then the other thing is I talked to a lot of employees. I wanted to really test the passion, the passion that they had for the business. I was overwhelmed in light of, if you think back 15 months ago when I started, in light of a lot of the challenges that were going on in the marketplace and a lot of the impacts to their business, this was a group that was working really, really hard but their passion for the business and their drive to succeed was very strong.

So those things kind of measured up for me as something that became a very attractive opportunity to come to this business. I've had zero regrets in doing so. Now what happens is success, as this business had been successful, creates some blinders. When we had few competitors we had a very successful model. Revenues were skyrocketing, profits were moving right along. I think sometimes if you read Jim Collins book, his second book - Good to Great was a fantastic book. His second book is How the Mighty Fall, and one of those indices in terms of how those mighty companies fall is that when they're successful they stop taking risks and they stop taking chances. That breeds and speaks to innovation for me.

So it was real important for me that we understood where our customers were at and not only were we not meeting the expectations of the customers but those expectations were changing. So that gap was getting pretty long and pretty wide.

So it was important for us that we launched a comprehensive program to really kind of drive some step change improvements in the business. We couldn't do that without having people that were really, really passionate about it.

So one of the worst things you can do is continue to deliver a standard and level of service that you think your customers expect, when they're really expecting something different. So with the needs of our customers changing we had to be in a position to respond. Now to put this into perspective this graphic is similar to what you saw in Elton's presentation but this is just CHEP. So it does not include - it's not a Brambles view because it does not include recall.

But the Americas business is a substantial business. We're 45% of the revenue within CHEP. We're 37% of the profit and 36% of the free cash flow. Albeit we have to recognise that the profit levels of the business in FY10 were not what we wanted them to be, but we are making the strategic investments in the future that were really required. So it is a large business that has a material impact on the overall Brambles portfolio. If you look at simply the revenue, we're approximately 37% of the revenue of the overall Brambles portfolio.

So some of the challenges that exist. When we came into the business 15 months ago some of you may remember there was a large project and we were doing a comprehensive USA review. We hired a consulting company to help us with that and I kind of parachuted right into the middle of that, which was a great advantage for me, because a lot of the groundwork was already being done.

But more importantly, what you find sometimes is that a lot of the solutions and a lot of the answers were really developed by the individuals that were there working every single day. The consultants were then creating new Powerpoint charts with the same answers.

So what we quickly did is we quickly kind of wound down some of that work and we took the best of what they brought to us, and we took ownership of that project and really ownership of developing what our solution and our recovery plan was going to be.

But it was really about balance. If I look back a little bit in time, which I don't really like to do, other than it's a great learning opportunity, I think this business experienced terrific growth and you could almost call it borderline out of control growth. Then as we changed leadership we brought in very engineering driven leadership that became very, very focused on process discipline and control, which is exactly what the business needed, probably in both cases.

But it swung that pendulum from one side all the way to the other, and I think what we really need in the business is balance, balance for the shareholder, balance for the customer and balance for the employee.

So that's what we've tried to do, is to bring that level of balance back into the business, knowing that we've got to create some additional investment but ultimately we've got to remain in balance. That's really what our leadership style is about, is making sure that we remain in balance. If we skew too far one way or the other it has detrimental impacts on the business.

Let me tell you what I mean by that. If we skew all the way to the customer and we give them a gold-plated platform that never dents, dings and they don't have to do anything with it, they'd be thrilled. But we wouldn't make any money. So we're not doing the kind of things - it's not a hobby for us, so we want to make money and you want us to, right.

So it's one of those things that we want to be able to make sure that we have a balanced approach, because the customer could be very, very happy but if we're not making the kind of returns we need to, then our investors aren't happy. That's critically important to us as well.

We also have the risk of swinging the other way, that if we don't do the right things in the business and make the right investments, very short-term thinking, while the investors may be happy I believe it will be short-lived because if the customers aren't happy then you put your business at risk. So balance is critically important.

Now I would love to see some economic wind at our back as we kind of stabilise the business through FY10, and we're really getting ready to set our sights on some exciting stuff in FY11 and FY12. Unfortunately, I can't see it from where we're at, and we look at it every single month. We look at our customers and the numbers and we just don't seem to see any economic wind at our back right now. It's just kind of balancing on the bottom. Every once in a while you'll see some encouraging news in the press and then you'll see something to counteract that the next day or two days later or three days later.

So we're not counting in the economy to kind of help us get to the point where we need to be in terms of setting us on the right path. So we're taking those matters into our own hands, and we'll talk about that.

Certainly, the competitive landscape is a lot of fun to talk about, and we do have competitors. It sounds somewhat insincere when you say it but, believe me - I believe it in my heart of hearts - competition makes you better. Competition is critically important. It keeps you innovative, it makes you better.

Now you may not like it sometimes but ultimately you'll never become complacent when you're in a highly competitive environment, and we're in a highly competitive environment now, and I think that's a good thing.

When we talk about innovation what I really want to get back to is one of our core values, you heard earlier, is all thing begin with the customer. One of the first things I did is I talked about our core values. We've got to let our core values guide us. In some cases you've got to be able to make decisions that are hard decisions, even when it comes to customers. You've got to know when to draw the line. If you're not bringing the right kind of returns, you've got to know when to draw the line with those customers.

We've lost a couple, and that's not necessarily a good thing for us. But you know what? We can look ourselves in the mirror and say we did what we needed to do every single time with those customers. They made their decision. It's unfortunate but we can certainly talk about that a little bit more as we get into breakouts or whatnot. But it is important that you know that there's a limit to where we'll go in order to retain a customer and there's some lines that we just won't cross.

Now let's talk about what we have gotten accomplished. Delivering on Better Everyday. We made some pretty bold statements and it was my first chance to meet most you on 7 October and a few days after, where we made some pretty bold statements about what we were going to go in terms of improving the quality of our product, becoming easier to do business with and getting closer to the customer.

Now what you didn't know is that the rest of the team built a plan with 23 initiatives, each initiative having an owner and every two weeks that progress was reviewed with me and Scott, who headed up our Governance Committee, to make sure that we were progressing against every one of those initiatives.

Some of those initiatives were as simple as objective alignment. Why would that be important? It was important that the first thing we did was gather the entire organisation and we realigned all of their objectives towards delivering on Better Everyday. So that we didn't have anybody going in different directions. Everybody knew what had to be done. Somewhat basic but it was something that we needed to get done and hadn't been done in a long time.

So we delivered on those promises with Better Everyday. We've had major improvements in our customer retention. In fact, if I think back on it over the last 15 months, there's two customers that we know about, you guys all know about, but that's been it. Kraft, which was a decision kind of already made and then ConAgra, which was just recent, where we've lost a portion of that business.

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But major improvements, and Karen will take you through some numbers in terms of what we've renewed in contract renewal business and we'll share with you what that number is, and every one of those contract renewals I can assure you have been hard fought, competitive opportunities where we've been able to win that business.

I think a lot of you have either seen or talked to customers and certainly I was asked at the cocktail party last night what would the customers say about quality? I think they would say keep doing what you're doing and that they've seen a significant improvement.

Now if it were me, I would never say I'm 100% satisfied because I'd want to make sure I kept my foot on the back of your neck and that you continued to deliver on what was required from a quality standpoint. That's absolutely fine with us. We know we've got an obligation to meet with our customers, but we've seen significant improvements - I think you all have probably gotten a taste of that as well, and certainly when Kim gets up to talk and Tom O'Riordan you'll be able to talk to and ask questions of the people that actually made it happen.

Our ease of doing business, our simplified invoice from 17 pages to one, is now being rolled out in the business. We'll talk a little bit about Portfolio+Plus. We'll also talk about new products, where we'll talk about account intelligence monitors that makes things a whole lot easier for customers, and new services, and Karen will talk about some new services that we've introduced in the business in the past 15 months.

From an intimacy and insight standpoint with our customers I can assure, although we're not going to talk a lot about it at this meeting for a lot of competitive reasons, but the insights that we have now with our customers and the amount of detail that we have now about what our customers want from us and what they will want in the future is unlike anything we've ever had before, and it's truly exciting when look at that as a road map for us in the future, to make sure that we align ourselves with what the needs of the customers are. It's more detail and information than this business has ever had in its history.

So the team - and you can see this on your chart, but there's a couple of things I'll point out. Mike Dimond's been with the business 22 years. He's running a great business up in Canada. You'll have a chance to hear from him. Fair warning, you ask Mike a question you'll get an answer, you won't get any sugar around it, it will be direct and blunt and you'll get what you asked for. If he's not going to answer it, he'll tell you that too. So we'll just give you fair warning on that.

Arturo Cabrera, 14 years down in Latin America, really a great opportunity for us as we continue to look to grow the business. Melissa Koch is here. She's our General Counsel. She's been with the business five years. Bill Pregliacsco, who is not here, is a nine year veteran and before that was 20-plus years at Frito, you know, real solid supply chain guy.

We brought in some new people. Scott Spivey, who's been here about two and a half years now as our CFO. He'll go through his background and explain it to you, as all of us will do. Kathy Harris we stole from Elton's team, and Kathy has joined us as our Senior VP of HR, a great addition to the team, happy to have her. She's been with the Brambles Group since '08, as you can see.

Then our two newest people, if you recall last time I met with you in October I was President of the USA and then have since been given the responsibility for all the Americas. Rather than replace the President of the USA role, I bifurcated that role and we brought in a Chief Operating Officer, which is Tom O'Riordan. Tom's been here eight months - and Karen Hempel as our Senior VP of Sales and Marketing, who's also been here eight months. I tricked them into starting on the same day, so they've been both here for the same amount of time.

You'll get a chance to hear from both of them today, and certainly you'll get an opportunity to hear or to speak to them tonight at dinner, on the site tour, and certainly at other points and times. I encourage you to do that. Some real seasoned executives.

Below this level we also made some changes in the organisation where we flattened the organisation, we looked at where people were located and we needed to make sure that we got more people out into the field and fewer people in Orlando. The business seems to be very Orlando-centric and last time I checked we had the walk-in business covered there so we needed to be out where the customers were and we needed to make sure that we were able to be able to respond as effectively as possible.

So let's just talk about management philosophy to give you a sense of who I am. First and foremost is that I believe that the best teams that operate out there, and it is a team environment, but the best teams recognise that it's about human capital.

I've got a coach who coaches me and he keeps reminding me that we're not in the pallet business or in the container business, we're in the people business, because at the end of the day it's the people that you can attract that are going to really propel this business forward. That's why I wanted to have a chance for you to see and hear from a lot of the other people in the organisation, which you will have today as well as on Friday.

Good teams also find a way to simplify the complex. When I came to this business even being in the supply chain business my whole career, from a pallet standpoint you didn't really think about it all that much. So when I came into this business it was incredibly complex and we've been working really, really hard to simplify it. I think in some cases we were proud of the complexity. In other cases we needed to take the nomenclature that we've created and invented in the supply chain and we just need to come back to standardised terms, standardised processes and just get back to a lot of the basic fundamentals.

Everything we do must have value. We preach that, day in and day out. Everything we do must have value for us and the customer. If it only has value for us, and not for the customer, we need to try harder because we've got to continue to create a value proposition that's strong, that's not price driven.

Second to last is perhaps most important, and under Tom's leadership we've been trying to continue to fulfil that philosophy as well, which is all around keeping your promises and also can be loosely translated as say less and do more. But really about say less and do more, and that's really what we want to do.

I know that in this business we've gotten out in front of our headlights a little bit and we've talked about things that we were going to do, and we want to be really, really careful that we talk to you about things that we are doing and not necessarily going to do. So we're going to be somewhat careful and cautious about that.

Then lastly, it's about making this business exciting. This should be a fun job, it should be a fun place to come to work, and we've got some real momentum in the business, and we got a lot of excited people that are coming to work early, that are staying late and they're really putting forth some tremendous efforts. As I said before, I couldn't be prouder of the team.

So the key themes. Executing against our promises, building the foundation for success and then transforming for future growth, okay.

Scott Spivey's going to come up next and take you through some of the financial components of the business. When Scott is done we'll have a Q&A session and then we'll take a break. So that's the role of the next hour or so. Scott.

Scott Spivey - ***CHEP Americas - SVP and CFO***

Thank you Jim. Good afternoon. I enjoyed getting a chance to meeting several of you last night and talking about the business and learning more about you and, hopefully, over the next couple of days we'll have more time to do that in addition to the Q&A today.

But first of all, let me give you a little bit of background about myself. I've been in business for over 30 years, in a lot of finance related roles and some operational roles. I've been involved in a variety of industries. I first started in my career with General Mills, the food company. I spent about 10 years with that operation. I moved over to the beverage sector, working with Pepsi. Spent about eight years in that organisation in a variety of field based finance roles.

Then I spent a couple of years in the footwear industry with Stride Rite Shoes. Then prior to joining CHEP I spent eight years in the telecom industry, with BellSouth the regional wireless and wire line provider. The last role that I was in prior to joining CHEP was Vice President, CFO for their advertising and publishing business.

I joined CHEP, as Jim mentioned, February 2008 and although there's been a lot of activity and change going on with CHEP it's really been a fun ride. The business is just an organisation that's built around passion. Everybody loves the business and I've just enjoyed participating and being a part of the change that we're going through.

the size, what countries we operate in, what products and platform we currently operate on and where we're going with that. I'll talk to about our customer size and the variety of customers that we have, and also spend a little bit of time talking about the market sectors that we operate in.

Then I'm going to spend a lot of time just going over some of the key operating metrics that we look at when we manage the business and just show you some of the things that we're doing to try to improve our operating structure as we go forward. But more importantly, though that I'll also be talking about the overall performance of the business over the past several years in particular and FY10.

This chart just kind of outlines some of our business units that we operate in, as well as our products that we serve right now. We operate in seven different countries across North and South America. Obviously, the United States is our largest country, with 71% of our revenues, followed by 13% of Canada. Mexico currently generates about 7% of revenue and Brazil about 3% of revenue. Both Argentina and Chile about 1% each.

We also have a small start-up operation in Guatemala in Central America and then we also have two other product lines or service businesses that we operate. One is our Catalyst and Chemical Container Corporation which provides specialty containers for the petrochemical oil refinery industry, and that represents about 3% of our revenue. Then as you know, we acquired Lean Logistics in 2008, which is a software based transportation solutions provider.

Dan Dershem will be here on Friday. He's going to talk about where we're heading with that business and how it contributes to Brambles overall.

Just for some perspective, we have about 2000 employees across the Americas and obviously we work with quite a number of third party operators to manage some of our operational elements of the business. We operate in over 440 different service centres or TPMs or other facilities to conduct business across our region.

When you look at us from a product standpoint, clearly our growth in the Americas has been dominated by the pallet platform. It's 96% of revenues and we've been able to create a very big business through that. Clearly, there's opportunities to explore other platforms and I'll talk about that in second.

But if you look at the pallet platform and the United States and in Mexico and Canada we operate off a 48 X 40 platform and when you look at Canada specifically they use primarily a hardwood stringer, four-way entry platform. They supplement their pool with 48 X 40 block pallets coming in from the United States or Latin America under load, so that helps augment their pool.

Chile, Brazil and Argentina operate with a 12 X 10 platform, which is the platform commonly used across Europe.

But again, we've had great growth when it comes to our pallet business but when you look at us compared to the rest of the CHEP globally, where they have a more diversified set of platforms, whether it be RPCs operating in the automotive business or IBCs.

So as mentioned, I think, in the earnings call, we are going to shift our focus to drive more growth in other platforms. Kevin Shuba specifically will talk Friday about what we're going to do from a North America automotive business going forward.

Let's talk about our customer concentration, and you can see by this pie chart where our customers fall in per cent of our total revenue. We work with a variety of large customers, multinational customers, such a Proctor & Gamble, Unilever, Nestle, but then we also operate with a vast number of small or local regional accounts.

In total, we have about over 41,000 different customers location that we need to service across the Americas business. So that adds into a lot of the complexity that Jim referenced related to the business.

If you take a look at our top 20 customers, they each generate over $12 million of revenue to the Americas business. Then when you look at our top 100 customers, each of those customers at a minimum generate $2 million of revenue for us in our business.

You also see that we have about 37% of customers that are $2 million and under in revenue generation. Obviously, a big part of our goals and aspirations is to grow that business to greater amounts, but also this talks to the SME opportunity that we have which Karen is going to talk to you even further, to grow that SME channel.

This chart really talks about segmentation and what markets that we serve. As you know, we have a big concentration of business moving into the fast moving consumer goods channel. About 61% of our total revenue reflects that; 48% really is traditional food and grocery, where 13% is more of a beverage focus.

We think that we have a lot of growth still in this category, whether it's further penetration into food service, whether it's further growing and getting penetration into the multitier beverage category, as well as private label and other small and medium enterprise business operates within these sectors.

The other big category we operate in is the fresh category, which is primarily produce and meat and other perishables. We've done a great job over time drawing our produce sector in the United States, but we still see that we have growth not only in the United States but as we grow geographically within region and places like Mexico and Brazil. But also what we're going to be doing, and Arturo Cabrera's going to talk to you about this on Friday, is we're going to start expanding further into Central America to drive additional growth.

Let's spend a little bit of time talking about the CHEP Americas operating profit and cash flow performance over the last several years. Clearly, as you can see from FY05 through FY08, we've had steady operating profit and cash flow growth inside the Americas. Then really starting towards the end of FY08 we really started to feel the impact of the global financial crisis which also has had a hangover impact over the last couple of years.

With that we experienced a big slowdown in our organic volume growth, and we've had declines, particularly in FY10 from an organic perspective. What that's done is that's impacted our operating structure. For example, we've had quite a bit of excess pallet inventory that's built up, which has caused us to have increased transportation storage related costs that we've had to address this year.

We mentioned to you that we've torn down seven million pallets, and that was a part of addressing some of the implications of what's happened because of the global financial crisis.

Additionally, we've had, as Jim mentioned, competitive entrants that have impacted the marketplace, that have slowed our growth. We've lost some business. Over the last two years I will say that we've recorded more wins than we have losses, but nevertheless that has impacted our growth rate to some extent. But additionally, I think, what you'll see here and what's causing some of our decline in operating profit over the last couple of years is our commitment to really address our product platform and that investment.

So beginning in FY08 we recognised some of the changes that we wanted to do with our product and our services, with the quality investment. Then in FY10 we increased that investment pretty significantly with the Better Everyday program. So that's what you're seeing from operating profit perspective.

I do really want to mention, though, that CHEP Americas' business generates a lot of cash, and you can see that from the chart listed below. Yes, cash flow's going to be impacted by economic cycles and business cycles to some extent, but this business is a business that throws out a lot of cash, and that's going to be something we do going forward.

We were able to improve our cash flow last year despite some operating profit pressures and that speaks to the efforts we did in reducing new pallet commitments in FY10.

So what I'd like to do on the next several slides is really get more into our key operating metrics. This is the kind of the same format that Allison provided for the Recall Business Units. I'm not going to speak to each one of these areas but some of just the key major categories that really drive our profit performance.

As you can see our underlying profit margins, and 15% FY10, that's below where we've been at historically, as you know. But what I want to leave you with as I walk through some of this information is some of the things we're doing that's going to allow us to start improving on those returns compared to where we're at today, okay.

Alright, so let's talk about sales revenue. We've got a number of drivers that we look at, that we monitor, that we manage to try to influence our sales performance. First category we look at is new business and, clearly, it's not only just what new business that we've sold but really what business or opportunities out there in sales form or for us to go capture.

We use standard selling process tools across all our businesses across the globe and we follow a standard Miller Heiman methodology to really scope and determine the size of our sales funnel. We look at that to determine our best opportunities within the funnel. We measure how quickly we close that business and, more importantly, we take a look at how many contracts we win and the value of those contracts.

So if you look at FY10's performance, for example, we were able to generate $86 million of new business on an annualised basis during FY10. So I really feel pretty confident that our organisation is in a position where we can generate new topline revenue.

The other thing we focus on, of course, is our revenue per issue, and that gets into a few different elements. We look at what pricing opportunities we have in the marketplace that drives impact on price, competitive impacts drives and impact on price. We also look at our different customer mix as we bring on new customers and take off old customers, how that may impact our revenue per issue basis.

We do spend a lot of time focusing on our cost drivers to really understand what our costs are and how that determines the impact on our cost to serve specific channels, so that when we do work with customers we understand the profitability within the channels that they serve. We can provide them the right pricing structure that provides value for them but also an appropriate return for us.

We also look, clearly, at organic volume. Of course, with the economic and business environment that our customers are operating in organic volume has been a big impact on us in the last couple of years. As the economy improves then we hope that that will change direction.

The final thing that we talked a lot about when we talk about our growth perspective in the marketplace is our net wins, which is simply the business we win versus the business that we lose. We talk about it in two formats. We may say net wins related to the revenues, the impact within a reporting period. Or we'll talk about net wins from revenue on a 12 month or an annualized basis which I think is more of a better indicator of where the business is heading than necessarily what was recorded in the particular period. So when you look at CHEP revenues, Americas revenues particularly in FY10 overall revenues were down 1% on an actual basis and down 3% on a constant currency basis during FY10.

From a cost and currency perspective Canada grew their business about 3%. Latin America grew their business 5% and all that was primarily attributed to volume growth. Whereas CHEP in the United States revenues declined by 5% in FY10. Out of that 5% decline 2% related to revenue per issue impacts both from customer exchanges as well as some competitive price pressures.

Then the other 3% was impacted due to volume declines, most of it related to organic volume declines but we did have a net loss business in the period. I think the good news - and I know this was mentioned during the earnings release - is that really since the Better Everyday program has been put in place and onboard, October of last year, we've actually been able to grow from a net wins perspective on an annualized basis - particularly in the United States where I think we were able to achieve about $18 million in that new wins from that time period, which does include the estimate impact of ConAgra loss.

So I think we've got a lot of momentum going on there. The other thing I'll mention with that is - even though we did win some pretty good size accounts in that activity such as the expansion with Scott's Miracle Grow as well as Del Monte Fresh Fruits and Vegetables, we want a lot of small to mid size company businesses. I think we mentioned it - we've won over 1000 new contracts both either lane expansions or brand new customers under the program that have issue volumes less than 100,000 annually so far.

Really I think that speaks to the opportunity in the small medium enterprise market that Karen will talk about going forward. Okay so now let's talk about some of the cost related drivers. First I'll focus on transportation and transportation and you can tell by the trends just on this slide is one of our core competencies. I think it's something that we've done very well over time. Our goal with transportation obviously is to try to minimize the amount of miles that we travel over the network at the lowest possible cost, while providing excellent and on time customer services for our customers.

We look at a variety of metrics, the end cost of collection, just essentially what it would take to collect our pallets back on the network on a per unit basis, unit cost of delivery, what does it take to issue our pallets to our customers on a cost per unit basis? Then our relocation costs on a per unit basis. What does it take for us to reposition our assets in the appropriate place for the market on a unit cost basis?

All of those metrics showed improvement in FY10 and I'll talk a little bit about some of the drivers behind that. But you can see in this chart overall from a transportation cost as a per cent of revenue, we've had great performance over the past several years. Part of that has been driven by our deployment of total pallet management or the TPM network, we've added about 48 TPMs in the Americas since 2006.

But more specifically in FY10 we did a number of different initiatives. We continued to work on our network plant optimization by deploying more TPM sites, additional wash facilities, additional heat treat facilities and with that I think we saved about $5 million or so in transportation related costs. We also have done a lot of work on benchmarking tools to really understand what are the most appropriate lane rates we can get from our freight carriers, and use those benchmarking tools to better negotiate lower rates than what's available in the marketplace. So that was a play that we did.

The other thing is we've got a program we call dedicated fleet and we have expanded our dedicated fleet operations to our 54 largest markets. All the dedicated fleet program is we've got dedicated power units that are available for our very most stable lanes that have a lot of high volume of traffic. We've been able to secure those power units and utilize those assets at a much lower cost than what you might get particularly on the spot market.

Last thing and it really goes back to a couple of things that Recall mentioned is we constantly use our Six Sigma tools and Lean tools to try and drive process improvement. In one area what we did we looked at how we go about scheduling and procuring international freight cost as well as a multi module type of transportation costs. We've been able to achieve a double digit decline in rates related to those types of moves, particularly moves coming from Canada back to the United State relocating pallets, or pallets coming from Hawaii back to the mainland. Or even as we've moved pallets down to Central America for a pooled solution down there.

So again I think from a transportation standpoint it really it is a core competence for CHEP Americas. Now let's talk about plant cost and plant cost clearly is one of the areas where we're investing heavily in the Better Everyday program. So later today (inaudible) is going to go in a lot of details specifically what we're doing inside the plant network as it relates to Better Everyday.

Our goal in the plant area is obviously to run the most efficient inspection and repair processes as we possibly can while delivering a very consistent platform to our customers from a quality perspective. So a couple of the key drivers, we look at our rate of repair and our rate of repair is simply the number of pallets we repair as compared to the - as a per cent compared to the total pallets that are returned to our service centers.

Given the fact that we've changed our standard, we've upped our standard to the US Plus and the US Premium standard. Our rate of repair has increased as a part of the Better Everyday program which was expected. The metrics that we look at is our cost per inspection on a per unit basis. That rate has also increased in FY10 and again that's reflected with what we had planned to do at Better Everyday, which was really enhance our sort process to address and identify (inaudible) with is something we've eliminated in our US Plus standard.

Then in the final major metric that we look at, that I want to talk to is our cost per repair on a per unit basis which includes both lumber as well as labor. From that perspective we had a very nice reduction in our average cost per repair. We've reduced our rate of (inaudible) by about $0.16 per unit in this category. We've done that because we've been able to - although we're repairing a lot more pallets we use less boards per repair and in some cases we're just doing a light repair just to get our pallets up to standard so that's dropped our average cost down.

Additionally we've done a lot of work on productivity improvement in our repair process overall. We've been able to not only to gain productivity but then work with our third party service operators to negotiate fair prices for them, based on the productivity that we've gotten. So that's been able to help us reduce our cost structure from that standpoint.

The one other metric I should mention and I'm going to talk about plant stock separately is our customer rejects. We do measure you know basically from a quality perspective how much rejects we get from our customers - it could be quality, it could be different reasons. But when you look at quality specifically we've had great improvement in that area and we've declined the number of rejects by 37% during FY10 and the exception, if you go back to the beginning of our quality program, it's been accumulative of 69% improvement.

So I think that's another aspect where you see where Better Everyday is paying off. But I do want to talk about plant stock separately. Overall when you look at this chart you can see that our plant stock is a per cent of - rather our plant cost is a per cent of revenue has increased. Not only is that - and what I've done with this chart is I've included the quality costs as well as some of the Walmart transition costs that we included as significant items, I've put it in this chart for comparative purposes.

So that's what some of the increases were when you see FY08 and FY09 performance, primarily the quality related cost. In FY10 you see the major portions of our investment Better Everyday is driving up our plant costs. Additionally what you'll see here is that we have incurred I think about $90 million of incremental storage related cost because of the excess plant stock in the network, that's impacted us.

As well as we've had some additional repair cost as we've migrated customers off of new pallets and put them on a pool pallet solution. All of these things long-term are going to be things that will help us out. What you should see with plant stock, plant costs from a go forward perspective - we said that in FY10 we spent about $108 million related to Better Everyday cost. I think by the time we get to FY13 our forecast is that the ongoing rate will be about $25 million so that will help out nicely in terms of what we anticipate from our plant cost perspective. As well we're going to see some benefits in the short- term as we reduce our requirements for storage.

Okay so let's talk more specifically about plant stock. So again with the global financial crisis really coming on to us at the end of FY08 and really hitting hard in FY09, we realized we had a growing pool of plants, of stock in the network and we had a couple of things going on during that time period. Previously we'd been experiencing quite a bit of growth and so with that we were able to, we made commitments to certain customers to provide them with new pallets.

Then also we had a big growing business of imports coming into the US from both Mexico and from Central America that had added to our overall plant stock in the network. With our slowdown in organic volume growth during that time period, it really created a situation where we had quite a number of pallets so we didn't need in the near term to utilize in the network. So in FY09 I think we mentioned that we decided to tear down seven million pallets and with that we anticipated that that would take through FY11 to complete that tear down process, with provision net cost of about $99 million.

I think the good news and I think our team is very proud of, we really did a lot of hard work and we did some great execution. We were able to complete that program a year ahead of time and we're able to do that about $2.5 million less than what was originally provided. The other factor of what we've done to minimize our plant stock is we've been able to cut down our new pallet purchases by 41% compared to FY09 and I'll talk a little bit more about that on our depreciation side.

But inside of that, part of that was we were able to limit the number of imports coming into the United States. One of the initiatives that we did this year is rather than, just limit imports which could then impact our revenues, we created a pooled solution where we took our US Plus pallets from the United States, and we relocated them back to customers back in Mexico as well as Central America so that they could shift those products back on their load to the US.

So we were able to retain a lot of revenue that we otherwise may have forgone. Although we incurred a lot of relocation costs getting those pallets down, we avoided storage costs as well as depreciation if you think about how we'd actually use new pallets to come into the United States. I think the other factor that we need to consider is, once we get back into a more robust growth mode which we will, we'll then at some point going to be required to get new pallets and we can bring back imports into the US, and then reduce our cost structure by eliminating some of the relocations that we're currently doing in FY10 down to Mexico and Central America. So that's a good outcome for us.

I think the last thing we did as it relates to minimizing our plant stock is for a few customers, we did provide some lower than normal pricing to get them on our program or expand business and which has helped utilize some excess stock that otherwise would have sat there and not been utilized. What we did with a few of those customers is we're actually able to build in price escalators in future years, so as we come out of storage with the pricing and that customer gets back in line to traditional levels so I think that will be beneficial for us.

So overall as you can see we did peak in FY09 in terms this is a plant cost, plant stock coverage. We peaked in FY09, we're coming back in line in FY10 and I anticipate that this is going to go down further in FY11.

Okay so let's talk about depreciation. Obviously some of the drivers on depreciation are clearly capital expenditures and when I look in the Americas business the lion share of capital expenditure has really fallen to support new pallet purchases. Usually when we look at that we look at it from a growth CapEx perspective and a replacement CapEx, we replace pallets for scrap or any pallets that may leak out of the network.

In FY10 we did have some growth CapEx related to growth in Latin America but again in the United States we reduced our new pallet purchases by about 4.5 million units in FY10. The other thing that impacts CapEx expenditure to some extent can be timber pricing. We did see some higher lumber costs in the second half of FY10 based on some domestic market conditions in the United States. As well Latin America was impacted by the earthquake in Chile that occurred.

What we're seeing more recently is those prices are coming back more online to levels that we had traditionally seen. Talking more specifically about what we did on our new pallet purchase reductions. We took about 2.6 million pallets - excuse me 2.9 million pallets of commitments to new customers and we converted them either to a US Plus or a US Premium or in some cases a customer repair solution. That helped save a lot of our cash flow this year. The good thing again there is, at the time when we get back to more of a growth mode, we now have more flexibility as to where in the US we put new pallets to minimize or capitalize transport costs versus dedicating certain pallets to certain customers.

So that's helped us get position for the future. The other thing as I said, again we cut off about 1.6 million of imports into the United States but we've replaced a good number of those issues with pool pallet solution. I guess the key tick where I really want to make sure walk away with is the fact that we now really have the capacity and the capability, no matter what the economic situations are, or the business cycle situations are to manage our new pallet purchases with a lot less lead time that we've historically been able to operate under.

Okay. Just want to talk about IPEP expense, that's one large expense category that we manage very closely, it really gets in the heart of our ability to manage our assets. IPEP expense has been documented in a number of sources the CHEP 101 class. But the simple math behind it is it's the provision that we provide and the P&L that covers pallets we deem irrecoverable across the network.

We do a number of things to look at how we're performing in that area and also I'll explain more importantly the things that we do to manage asset control. We look at our control ratio and our control ratio is simply, takes into account the number of pallets we issued out during a reporting period compared to the number of pallets that are returned back to us. That control ratio is influenced by growth and it's also influenced by what's happening with our customers - whether they're destocking, whether they're restocking or whether they've just got some cycle time improvement and therefore the pallets turn faster.

We also look at leakage and leakage in our vernacular really just says you know what pallets do we think are unaccounted for in the network based on our control ratio and also based on the audit program that we have in place. If you look at our leakage performance in FY10 it runs very consistent with what we've seen over the last four years across the Americas. So I feel pretty comfortable that we've got a good handle on our asset management.

The way we do that is a number of things. First of all, all of our participating retailers have a responsibility to ensure that our pallets are returned back to our service centers so that's one big facet of how we're able to control our assets. We also have a dedicated group of CHEP employees who work in some of our most dense markets coordinating with not only our recyclers, but as well as our retailers to bring pallets back to us. As well they collect pallets within their own vehicles. In FY11 we plan on increasing that activity or those resources by about 25% to anticipate further growth.

The other thing is that we have over 1300 vendors - particularly recyclers - across the United States that participate in the asset recovery program that we manage to help ensure that we get out pallets back into the network. The other facet of what we do is we then work with our customers and we audit their physical bounds. So we make sure that on average we audit at least 85% of our pallet holdings in any given year to make sure that we really understand the amount of pallets that are in the network at any given time.

We don't have a luxury of stopping everybody and understand exactly where everything is at but when you combine our audit program, along with our control metrics we get a good sense of where our assets are. We work with our customers on reconciling account balances, helping them through the ease of doing business tools, improve their ability to keep track and record our flows. So I think that's a couple of good things that we do.

Today you're going to hear from Carey Sealy, she's going to talk about one of the new tools that we've introduced and we're going to expand even further which is account intelligent monitors. I won't steal her thunder but effectively that's going to be another tool that's going to be available to our customers to help asset management. Then Karen Hempel is going to talk to you about our total account management program where we're going to have dedicated resources with specific customers, working on a number of things with them. But also we'll get a better measurement in reporting as it relates to our pallet flows.

Okay so I talked about a number of things from a business review perspective, you're going to hear from a lot of the CHEP team today and also on Friday on where we're going. But I just want to leave you with my thoughts on where we're at right now. I guess I don't. So first of all I think from a top line perspective the Better Everyday program and that investment is starting to pay dividends. We talked about the number of new wins that we've had, net wins since the Better Everyday program.

You're also going to hear from Mike Diamond from Canada, Arturo Cabrera in Latin America talk about the growth opportunities that they have in their market that will help the Americas grow revenue going forward. Then Karen Hempel will specifically talk about the SME opportunity. Then I think we've been doing a lot of things - though our results don't show it today to really improve our operating structure. We completed the pallet tear down program so we've been able to eliminate most of the excess that are in our network.

We've been able to reduce, almost cut our new pallet purchases in half from FY08 where we were at 12 million, we're a little bit over 6 million now that we've achieved in FY10. That's going to help us from an operating cost structure. I think I highlighted what we've been doing in the transportation area and we're going to continue to do things that drives efficiency from a transportation cost. Then when you look at the Better Everyday program and how that investment will dwindle down over time, as well as alleviating some of the plant stock excess and those cost, I think our plant cost structure is going to improve over time as well.

We've always been a very solid company I think when it comes to asset management. Again we generate a lot of cash and I think that's what you can expect from us going forward. So with that I think Jim and I are available for Q&A.

QUESTION AND ANSWER

Simon Mitchell *- UBS - Analyst*

I'm Simon Mitchell of UBS. I appreciate you've got about 4 million pallets in storage and if you exclude those what's the current turn rate looking like in the US?

Jim Ritchie - ***CHEP Americas - Group President***

Okay so for example you're talking - are you talking cycle time or just plant stock coverage?

Simon Mitchell - ***UBS - Analyst***

Well more cycle - average issue rate per pallet each year I guess.

Jim Ritchie - ***CHEP Americas - Group President***

Okay we're still turning about 3.5 times and it's not so much what's in storage but it's really the rate of cycle time through our customers the way we measure that.

Simon Mitchell - ***UBS - Analyst***

Also on TPMs you mentioned, what's the current percentage of volumes that are going through TPMs and has that moved much over the last year or so? Do you think it's going to go up much more?

Jim Ritchie - ***CHEP Americas - Group President***

I don't have a specific number of volumes that go through TPMs so we can get that information to you later. But I will say because we've expanded the program we do have more activity going through TPMs than we have previously.

Scott Spivey - ***CHEP Americas - SVP and CFO***

Yeah we added a little over 10 locations in FY10, additional TPM locations. So we don't have any quota or threshold around it, it's just when it makes business sense and it drives economies back for us as well as for the customer. We'll continue to add those facilities and that's really what the key driver is. We've got a really good review process to go back and say what was the business proposition going into it in terms of the investment and the expected return for us and the customer?

Then we go back and review that at 90 days and at nine months to make sure that what the investment was, did it actually come to fruition. If it didn't why not, what do we need to change, what have we learned. If it did how do we translate that to the next location or the next site.

Cameron McDonald - ***Deutsche Bank - Analyst***

Just you're talking about effectively the OpEx for CapEx tradeoff between the new pallet purchases and rebalancing the pool. Can you give us a sense of how much of the OpEx is actually being incurred in 2010? So quantify what that tradeoff actually is.

Jim Ritchie - ***CHEP Americas - Group President***

Okay that's a good question. I would say we incurred - the two areas where we incurred cost related OpEx relates to the number of pallets that we relocated down to Mexico and Latin America. Then the other area would be to some extent, the amount of repairs to a US Plus or a Premium standard in lieu of new pallets. Which I would say is an ongoing cost going forward as opposed as to new OpEx. The amount of money we spent - I won't tell you the amount of money. But we spent about anywhere from $3 to $5 an issue on a relocation cost that went down to Mexico which more than basically offsets our storage related costs that we otherwise would have incurred.

Unidentified Participant

Thanks. Just a question on the plant costs. Can you provide a feel as to where you think plant costs to sales ratio will decline to once you have lumber yards that are currently in there dropping out?

Jim Ritchie - *CHEP Americas - Group President*

Okay actually we haven't really provided kind of a forward guidance on it. I mean if you think about the investment Better Everyday growing from 108 to 25 million that's about 83 million across and that's almost another 0.8 to 10 percentage points off a revenue so that's a big change there. Then when you look at the - ultimately if we eliminate the 19 million in excess pallet costs, there's another - that 20 million is worth about another 0.2 percentage points so I think those are some of the ranges.

But again we're going to have other activity that we're going to do besides those two things to try and influence our plant stock going forward, our plant costs going forward.

Unidentified Participant

So I guess where I'm coming from is about what you touched in your last point. So going forward we shouldn't necessarily expect that that ratio is going to come back to historical levels because you have - I mean you've now transitioned more customers off new pallets onto a higher repair rate to take care of their requirements. So again does that suggest that going forward that that ratio is not necessarily going to then revert to what we've seen historically?

Jim Ritchie - *CHEP Americas - Group President*

Well look there are other things that go into that so again once we get back into more new pallet purchases we're going to eliminate the relocation costs back to from Latin America and Mexico, we're going to eliminate repairs in the network because we're going to be buying new pallets. So that will actually drive cost down so there are other things besides the normal ongoing productivity that we expect over time.

Unidentified Participant

Thanks.

Unidentified Participant

You spoke about bringing on several new customers with price escalators can you maybe just talk about that in a little more detail? Also how - perhaps if you talk in the newer, smaller sub 100,000, that particular market which you were targeting with the attractive entry level pricing and whether that was quite a big component of your new customer wins in the last year.

Scott Spivey - *CHEP Americas - SVP and CFO*

It was, actually when you look at all the customer and you wrap that into a segment, the big customer versus what we would call the SME segment, what you realize is that we won more business in that segment than we did in the others. I think any industry - typically that SME segment is going to carry a higher margin percentage as well as greater loyalty and longevity. Certainly we've gone back and tested those theories and those are proven out that what we saw with that SME channel is that we did see strong margin performance in terms of what the business was sold.

We also see very strong loyalty because we didn't just start it in FY10 it's been going on for quite a while. So we see that as a real opportunity that we're uniquely positioned versus any other competitor out there to really kind of leverage the networking and Karen will talk in much more detail about it. But it was a big part of what we did in FY10 certainly from the win standpoint yes.

THOMSON REUTERS

Unidentified Participant

I mean is that margin dependent on the escalators kicking in from a pricing standpoint?

Scott Spivey - *CHEP Americas - SVP and CFO*

So just on that margin piece, the pricing program that I talked about really didn't relate to the SME piece. That's just normal business we go after with good margins. So that really was kind of customers that had you know good size volumes that we introduced that program towards. I won't tell you specific rates but I will tell you for a good number of those customers, the way we built the program is we understood when we'd be getting out of storage or anticipating that, and we introduced the pricing escalators in Year 2, Year 3 to get back to more normal margin levels for those customers.

Over here - sorry we'll come back to you in just a sec.

Anthony Moulder

Just a question re asset control, you mentioned that asset control was strong in 2010, how do you see the loss rates playing out going forward? Is that an opportunity for you?

Scott Spivey - *CHEP Americas - SVP and CFO*

I would tell you that I think our loss rates in 2010 were right in line with what they've historically been. However you know you can see Tom pointing at - Tom Gorman pointing at Tom O'Riordan over here, we've been talking about that as a major opportunity for us to attack. You're going to hear a little bit about some new products in terms of aim, in accounting terms its monitors and new services in terms of total account management. We've used those as test cases in FY10 in terms of how well we've been able to manage assets and we've had absolutely phenomenal success.

So that when you start to track assets that's on a weekly basis instead of on an annual audit basis, the trail is much warmer and you can track it much easier. So we see that as a large opportunity that we're going to be going after. We don't have it quantified and certainly not in a public environment, we've got our internal roles but Anthony yeah, we see that as something that's real important to us in FY11.

Anthony Moulder

Thank you and second question related to the Better Everyday program I think for 2012, you now have $0.35 per pallet roughly of ongoing spend for the maintenance of that pool, what gives you comfort that that is enough? That's that 25 million that you talk about.

Jim Ritchie - *CHEP Americas - Group President*

Yeah I would - let me start Scott and then you can jump in. I think there are a couple of things and you're going to see some of it today. When you look at the rigor and the process control and the discipline that [Ken] will speak to. The other thing that's been interesting for me being here only 15 months is I've been asking a lot of questions as has some of the other folks about what we saw five years' ago or six years or seven years' ago. The consistent answer back is the level of information and data and detail we have now is like never before.

So you get confidence in looking at what the business looks like today and the amount of data and detail and information that we have. There are still some variables there that you simply can't predict. You don't know what's going to happen tomorrow and how people are going to treat some of your assets when they're out of your care, custody and control. But that doesn't mean that we can't put programs in place to identify who those customers are and then send people in to work with them like we've never done before and we're preparing to do all of those kinds of things.

So we've got a high level of confidence now in terms of where the numbers are at and certainly are confident in where it's going and our ability to manage and execute towards it. I don't know if you've got anything to add there.

Scott Spivey - ***CHEP Americas - SVP and CFO***

Your $0.35 per pallet is the net incremental number and you're taking the 25 million divided by GBP70 million. The actual cost or operating plant costs are significantly higher than that. So all of the costs are about delivering a higher quality outcome, it isn't just $0.35 as you've explained it. Additionally those are net costs ongoing so the gross contribution to improving quality is higher than that and then there are efficiencies underneath it.

So I don't think it's safe if everyone is drawing the conclusion that you're getting $0.35 per pallet, that's not an accurate way to look at it.

Jim Ritchie - ***CHEP Americas - Group President***

I think we had Cameron next - you're not - okay sorry.

Simon Bent

You talked of retaining some of the ConAgra business. Was that outside of the sale of the Gilroy business or was that - I think ConAgra was selling that Gilroy business, did you retain that business or you retained some of the original ConAgra business?

Jim Ritchie - ***CHEP Americas - Group President***

Can you repeat the question? I'm sorry.

Simon Bent

ConAgra I think was selling the Gilroy, sold the Gilroy business back in July I think it was. When you said you retained a portion of the ConAgra business was it the Gilroy business or you retained some of the ConAgra business outside of the Gilroy business?

Jim Ritchie - ***CHEP Americas - Group President***

Yeah it's a little bit of both but in reality what's happened with ConAgra is they made a decision to move to a competitor evidently I think has been recorded. That product in a heavyweight environment was not able to perform to that level and that's part of what a pooling asset has to be able to do. It has to be able to solve for the entire pool because you don't know who is going to use it next. So they quickly came back to us and said for these facilities we're going to maintain that business on CHEP and that's what we anticipate. So that's what they've communicated back to us and that's what we anticipate.

Right here in the middle. Have we got time Melissa for maybe two more? Okay.

Unidentified Participant

You've showed that your top five customers represent about 22 per cent of the revenue. What percentage of the pallet pool do they utilize? Also what is the duration of the contracts with those top five customers?

Jim Ritchie - ***CHEP Americas - Group President***

Well I'm not going to have the percentage of the pallet pool off the top of my head. Scott may because he's better with the numbers than I am. But in terms of contracts, the contracts will range - and everybody's got different and they've got different expirations. But most of the contracts that you're going to find that we have are probably 30% to 40% or our contracts are one year evergreens. Then the rest of them are two to three year agreements. So some are continuously renewing but everybody's contract will renew at a different time. So of those top five I can't tell you off the top of my head which ones are going to renew in which months in which year, I just don't have that information with me.

THOMSON REUTERS

In terms of the overall (inaudible), in terms of pallet volume there are a few variables that go into play there. But roughly the pricing isn't that so dissimilar. So you can really do the math and it would say it would use a similar percentage of the pallet volume is the revenue that's represented.

I saw one hand over on this side then we'll have to - we'll go on break after this. Again I know there are a lot of questions but we'll continue to spend some time later on tonight as well.

Unidentified Participant

I'm just wondering if you can make some comments around what your expectations are regarding maintenance CapEx going forward, just some observations. The pallet additions over the last say five, six years has been quite small I guess with regards to your longer term history. Yet CapEx has remained pretty high which therefore implies a maintenance CapEx is arguably gone up. I'm just wondering if you can make any comment around that observation?

Jim Ritchie *- CHEP Americas - Group President*

One thing I'm going to mention on ongoing CapEx is for the next fiscal year at least with the United States, we're probably going to keep with the levels that we've been spending at this time around. We are going to have a little bit more growth CapEx in Latin America and Canada for next year. Part of what we're doing is if you don't buy an asset today you're still going to have to buy it tomorrow. So time, value and money, there are some minimal amount of purchases that we're having even though we have some excess capacity, because when you look at the time value of money we're going to need those assets going forward.

So that's what you see if you're looking at you know there's still some low level higher CapEx. It doesn't make sense to go all the way to zero and then go back up to some significant amount operationally as well.

Scott Spivey *- CHEP Americas - SVP and CFO*

Yes and we have third parties that are producing new pallets for us. So if we completely shut them off they go out of business. So there's an element there that we want to maintain and there's also an age of the asset. There's an asset aging concept here that says if you completely shut off the age of the asset, then you'll start to deplete it, it'll get much older and you've got to continue to inject some new for the overall health of the pool.

Also keep in mind that we do tear down a small number of assets but every year we look at some assets that we just deem as irreparable so we will just take those assets out of the pool and then there are losses that will come out of the pool. So the overall size of the pool may actually shrink and we still may go out and buy a significant number of new pallets. But the net total assets will reduce.

Unidentified Participant

Thanks.

Jim Ritchie *- CHEP Americas - Group President*

Okay we've got a 15 minute break so we'll come back in 20 minutes time and we'll go through the Everyday program in more detail. Thank you.

PRESENTATION

Jim Ritchie *- CHEP Americas - Group President*

Alright, to stay on time we're going to move into more detail on the Better Everyday program and I'm going to introduce to you our Chief Operating Officer, Tom O'Riordan.

Tom started on January 1 and he's got, at this point right now he's got complete control of all the operating elements of the USA business and he'll talk more about his background and his team. We're very, very lucky and fortunate to have a guy like Tom and I've had an opportunity, I first met Tom when I was at Ryder and he was a customer and was in the middle of a rebuilding and a turnaround with this particular company. He'll tell you a little bit about that. But it became a solid relationship built on trust and certainly expertise and I think when you hear his background you'll understand we're extremely fortunate to have him.

So, Tom, come on up.

Tom O'Riordan - *CHEP Americas - COO*

Thanks, Jim.

Hello everyone. I'd also like to welcome you guys. This is a tough time of day to speak, especially when you've travelled halfway around the world but I think we'll keep your interest. You'll get an opportunity to meet some of our team. They are really pretty talented. I think that's one of the things I've found when I arrived here. The quality of the team was remarkable and I've had the pleasure of working with some really good people over my career and this team is as good as any one that I've had to work with.

The team that you'll hear from today will be Kim Rumph. Kim is the VP that works directly for me that stewarded the Better Everyday program as it relates to quality, getting our service centres up to 100% issues by March 31. Frankly, when I got here I thought that was a pretty lofty goal and she led the team that absolutely nailed it.

You'll hear from Thomas Storteboom. Thomas heads up a lot of initiatives in the innovation area and you'll hear a very important one that kind of plays into some of my experience, and I come from businesses that launched 500 new products a quarter and at CHEP we've had one in the last 20 years. So we hope to find some balance between those things and they're service offerings not just physical products. Thomas will talk to you about that.

Carey Sealy will talk to you about Portfolio Plus and some of the other service offerings that we have that are really improving the way we do business with our customers and then Karen Hempel who is my partner on the sales sides, we started the same day, and she'll lead you through some of the changes in the sales team that work in concert with some of my teams.

A little bit about my background; I've had the opportunity to work with some really good companies, great companies in some of their trying periods, Nike back in the '80s, Adidas in the late '80s, a team of us went from Nike to Adidas and had a great run there. We turned that business from about a $200 million business to a $1.8 billion business in nine years. Lots of initiative with better product, better interfaces with our customers, better execution.

I was chief restructuring officer or COO at Fila, eventually the CEO, and Fila was a kind of an interesting business, great education. When I arrived there it was losing about $4 million a week which was quite an effort actually, and within three years we were able to return it to profitability in spite of having tremendous fixed cost and in spite of sales being in freefall when we arrived. That's actually when I had the opportunity to meet Jim Ritchie.

I think over time I've had lots of good ideas, some of which have had long legs. At Nike we were pretty integral in launching some key product categories that today still represent a bit portion of their business; a similar thing at Adidas where I sort of defined and launched, on my own, a category that today remains one of their biggest categories; and, of course, the turnaround at Fila.

I also, while at Fila, had a separate responsibility. We had a small business that was about $4 million when I arrived there and they allowed me to sort of take it over. It was a little of a science project at the time but within four years we'd built it into a $100 million business and then we were able to sell it to Liz Claiborne at $129 million after five years. So, nice business and good timing enough to sell it.

I guess over time there's a lot of things I've learned. I think the similarities that some of these companies had, Nike, Adidas and Fila, is that they'd sort of lost their way with their customers, they stopped listening, they were very inordinately focused and I guess had lost their way in product and services innovation as well. These were the things that we needed to change and some of those parallels obviously exist here.

I guess one of the most important lessons I learned, as good as we thought we were, especially in the Nike days, we got humbled pretty quickly and I learned that it really doesn't matter what I think, it only matters what the customer thinks and so we spent an awful lot of time listening to customers, travelling and visiting them, et cetera, and I think when I first met Jim Ritchie we had a real interesting challenge at Fila and Jim's team, when he was at Ryder, were able to come in and really address a very complicated, almost impossible, situation we had with a distribution centre.

He really kind of stewarded the whole thing through a very successful implementation, including sometimes driving, I think he was senior VP, I think, or executive VP at Ryder at the time, and I can remember seeing him driving around on a forklift in our DC to make sure that we were delivering to our customers on time.

So, when Jim called me to, not to have lunch, but to travel a little bit we started talking about the business. He talked to me about the business model that existed here. I was really enamoured with the model itself. Obviously he was very clear about some of the challenges that we had and I became very quickly interested in the business and obviously knowing what he brought to the table, the way he approached customers, honesty and directness that I knew of him from 12 years, I thought I think I'm going to join them and it's been really a great experience for me since I started.

I think some of the simpler things for me are, Jim touched on this a little bit, in every place I've been I've taken on some pretty complex challenges and really tried to simplify and we've been very successful at simplifying some of the things that maybe over time got too complex. I've always believed that you need to control the things you can control and I've got a very strong track record of managing cost and I think CHEP also has done a great job over the past couple of years of managing their cost here and will continue to do that.

I think for us, the next steps, we've done a great job of getting the house in order here a little bit and the next steps obviously give us a change, and this is what was interesting to me, to really become a leader in the supply chain.

I think when you talk about some of the things that I do, I think bringing this innovation background that I've ahead, again launching 500 new products per season, you really have a different mentality in how you approach things. You'll see when we talk about the subject that Thomas Storteboom will talk about I've sort of adopted IBM's philosophy into something that we've had for some time which is an approach of trying to sail off and achieve tri multiple things at the same time, bring a lot of things to the table to see how you do and if you see something that moves the needle in the direction that you need to you run with those things and then you can eject a couple of other ideas into testing.

Thomas will talk about something that I think will address that directly.

A little snapshot of the US business. We have about 38,000 different touch points with our customers, 760 people that have really received the message in the US, and I think everywhere else, I've spent time in Europe, not in Australia yet, that we are absolutely focused on the customer, everyone in our company understands that and puts that at the top of mind every single day.

We move about 2500 truckloads on average per day and about 1.5 million equipment moves. It's quite an undertaking obviously to do that. We operate 351 different types of service locations around the US. That number can be a little bit fluid. You'll see that change because we have temporary storage facilities and things like that that open and close as needed.

We have three offices; one in Orlando obviously is the headquarters, Cincinnati which is closer to our largest customer and Bentonville which is the (inaudible) and Walmart as well Hunt which is one our transporters.

We started with three pillars of our commitment back in October and we said we'd drive our business by making improvements in the following things. Product quality, again as I saw this it was a pretty lofty objective from where they had been to get 100% of issues from the service centres at US Plus certification.

So you have a new certification, you've got to ramp it up, you've got to get all of your service centres on board to do it, every employee in those service centres to understand what they needed to do and they nailed it. I can't take any credit for that. Kim can take most of the credit, and her team, and she'll talk a little bit about that when she comes up, or a lot about that I think.

I think the key for us is we are now delivering what we promise our customers every day and I think that's the key difference. They know what to expect from us and they're now getting that from us every single day.

On the ease of doing business side, we have far more people dedicated to meeting the customer needs, we've added two VPs that report to Marianne Plumb who is Senior VP of customer experience. One of them has 12 years experience with CHEP and the other has 15 years experience with CHEP, all with tremendous customer interfacing over the years and they're enthusiastic. They've been involved with customers, they've got some great ideas and they're leveraging off of the ideas that we have in place.

So, we're pretty excited about them and I think it sends a very good message to our employees, to our shareholders, but especially to our customers that we're really committed by adding these two VP positions.

One of the key things that Jim's brought to the table, which is this notion of empowering our employees, actually we brought empowerment I think throughout the entire organisation so we can make decisions faster, that makes some sense, that work better for our customers and also make it easier to do business with.

I think my first session, the word I use here, pontificating, came from one of our biggest customers. We had a customer forum, I guess I was here about two months, and Karen hosted and I was able to attend. It was very interesting because you could tell in the beginning there was a little bit of tension and by the end all the guards were down, we were really having a nice conversation and one of our largest customers said it was really refreshing to really have a real conversation instead of someone from CHEP sort of pontificating to them about what we were going to do.

I think that message has really gone throughout the organisation and I think every conversation we have has really led us down a path where we will get better doing business with our customers.

We realigned our sales team. Karen will talk about what she has done, but we had a group of customer operations people and sort of separated the hunters, salespeople like to hunt true salespeople. We have an awful lot of people that handle the day to day operational things and we separated those, put them under Marianne to make sure that the housekeeping, the daily activity of the follow-ups were done under the customer experience piece and so it allows Karen's team to focus on the sales piece, and she'll talk a lot about that.

Again, this help build our customer experience team; a lot more people to support those initiatives.

Again, we're just a company that I think is much more focused on our customers.

This slide talks about where we've been, where we are and where we're heading. Again, there were 23 initiatives. You've heard about those many times. It's remarkable that they were stewarded all the way through, every one of them I think nailed down. Some of them will be ongoing and will raise the bar; things like Portfolio Plus which Carey will talk about, we will add features and, as we raise the bar, we'll ask customers to take on more features they were enthusiastic about to begin with and, as we add service offerings, again we'll raise the bar.

There were 300 employees involved in those initiatives which is a remarkable undertaking to nail down in about six months. Basically all of the top management in the company was involved and this, of course, was on top of whatever your day job was before that. It was really a massive undertaking.

Looking for FY11 and beyond, you'll see that we have seven initiatives here. Again, continuous customer experience improvement, there's a lot of touch points around that; repair efficiency and platform durability, we're looking at a lot of things there that will improve the durability, reaching inside and outside of the company for some resources there, we've identified some things already; and of course delivering growth, which Karen will touch on.

Holistic supply chain solutions, which really is going to be in my court, that's a lot of things looking at some activities that today we do or we do it third party and can we look to deliver these ourselves. Our customers are clearly looking for us to deliver more efficient supply chain solutions. They ask us for this every single day and they're hoping that we can deliver some of these things, some of which they haven't even thought about yet.

On the innovation side, Thomas will talk about some of those things you've heard a lot about when Tom and Jim spoke about these things and we've got a lot of things in the queue. We have a lot of service offerings that we manage by the customer experience team, things that allow us to get more sticky with our customers and also really help them in managing their supply chains and the organisational effectiveness which we talked about.

The good news is we've done an awful lot of work over the past year or so and really delivered on some of the promises that were made, some I guess more than a year ago on quality and then stepping up to a new quality standard in October. We'll continue to raise the bar on our customer interactions and Karen will talk about some of those things and so will Carey.

We believe we can still raise the bar on quality through looking at things like fewer touches on the product and reinvesting some of that back into the quality of the product, a lot of repair efficiencies, Kim will touch on some of those things, and then further empowerment of our sales and customer operations teams.

Better Everyday program; again really centred around a new structure that will enable the team success in getting closer to the customer. I think every one of us, in fact I was talking to Tom last night about this, but all of the executives have gotten involved in some of the calls that come into the CCC and following up on those with our customers just to see how we're doing.

I think on average we're making about two calls per week and it's really interesting to get involved with people at all levels of the organisation, listen to what they have to say. They seem to really appreciate the fact that we're calling them and an awful lot of feedback is coming from that that's been informative and also constructive.

I guess this leads to the second bullet point which is listening to our customers every day. Everyone in the company has that message and I think we're doing a good job at that, but we can always do a better job at that.

Again we touched on Better Everyday was delivering what we promised and we are doing that every single day and it's more than just the product quality. We were looking at things, for instance, with the transportation chain. We measure on time performance and we're above 97% on time performance to our customers. So I'm going to challenge them to raise that a little bit higher and also see if our customers measure it the same way that we do. But we really truly do deliver. We are the most reliable resource out there and our scale allows us to do that every day.

Managing costs; this is something, we don't have control of the economy, I'm not sure who does right now, but we are good at managing cost and we continue to do that and we will continue to do that. We've got a lot of initiatives there whether it's filling empty lanes for some our customers, they have empty miles that we're utilising. It brings revenue to them and saves us money. Some of the repairs efficiencies, et cetera, where we take some of the touches out of the repairs and I think Kim will touch on some of that.

Then, again, continuously looking at ways to elevate quality. We've made great progress and if we can continue to raise it we will do that.

This is one of my terms, I think when I got here it seemed like we were playing a little bit too much defence and business is about offence and I think we really feel confident today that it's time to play offence and get back into the market and aggressively go after it.

This is a slide, you've seen this, I think many times, but this is just sort of to quantify what's happened on the Better Everyday cost. In fiscal year '10 we came about $8.5 million under what the Better Everyday budget numbers were. We look to be, in FY11, about $5 million under and then FY12 and on, $25 million under.

Primary driver on the FY11 number is the fact that we still have four million pallets, B stock pallets, that will need to be repaired as we start to redeploy those. So that's why you see sort of a trend that looks a little bit unusual there.

"Del Monte Fresh Produce views the relationship with CHEP as an integral part of the strategic relationship we have with our customers, which are receiving a series of benefits from the pallet pooling system. We look forward to building on the supply chain performance and environmental sustainability successes we've had to date." This is from Paul Rice, Senior Vice President, North America Operations at Del Monte.

The second one, and we have lots of these, we chose two. Some of our customers don't always like to see or allow us to put their names out there, so we choose ones that will allow us to do that. "CHEP has not only developed a more user friendly Portfolio Plus application, but their high quality pallet strengthens our supply chain network and enables our organization the ability to provide our customers with a more structurally sound platform." That's Jeff Jankowski who is Regional Manager for Rich's.

These are a couple of things that we're seeing. We're hearing, I think, lots of good news and yet we still have some work to do so I don't think we ever want to sit idle and assume that everyone feels the same way, but I hear lots of stories like this every single day.

This is sort of the three points of the Better Everyday program. Essentially we have taken this and moved these into our SOPs. I think Kim and her team have done a great job of really standardising our processes as we grew. We've lots of different facilities out there and different equipment and that was one of the keys to us getting our quality under control, was really developing SOPs and working with our third parties.

That's helped us dramatically on the product quality side. We really focus on a culture of continuous improvement. Jim drives this home every day. It starts with Tom and Greg and the team at Brambles to make sure that we are never content with where we are and I think our team is pretty enthusiastic around that. That will get us a little greater customer intimacy and, again, always we're looking at any kind of operational effectiveness and cost efficiencies that we can find and a step change in our capability development.

You see these three things, product quality, getting closer to the customer, ease of doing business, they're really three focal points. The seven initiatives are focused around these three things and I'm quite confident that the team that we have that nailed the 23 initiatives will be able to steward these seven initiatives forward as we look to the next couple of years.

I'm now going to introduce Kim Rumph who is going to walk you through Better Everyday product quality issues, and she'll tell you about herself.

Kim Rumph *- CHEP Americas - VP Plant Operations*

Good afternoon. Thanks again for being here with us today.

I'm going to spend a little time walking you all through the product quality aspects of the Better Everyday program. We've talked a lot about Better Everyday since that announcement in October and I'm going to take you on the quality journey that we've been on since October.

To begin with, I'd like to give you just a brief background on myself. Today I'm the Vice President of Plant Operations for the CHEP USA business and before joining the CHEP USA business in 2006 I've held a serious of operations and manufacturing positions both with the US Steel Company as well as GE most recently before joining CHEP.

I bring 16 years of manufacturing and operations experience to the CHEP US business and today I have direct responsibility for all of the service centres and plants in our network. I also have direct accountability for improving the product quality as we committed to you with the Better Everyday program.

So to begin, let's go back to October. In October we shared with you the results of the US business review and at that time we talked about our customers' evolving needs and the fact that we needed to raise the bar on quality and we needed to deliver a better product to our customers in order to meet their needs.

Our team was excited and energised by this charge and we quickly organised ourselves around understanding how we're going to (inaudible) to this higher standard and how we're going to deliver what our customers need as quickly as possible.

We committed to a March 31 date in that October 7 market announcement and I'm proud to announce that we delivered that. We're ahead of schedule in terms of delivering against Better Everyday and our customers are telling us that they can feel it and they've also told some of you that they can feel it.

So we'll talk today about the deep rigor, the processes, the systems that we put in place to ensure that we can continue to sustain this performance and we can continue to deliver at this level.

We have also started listening to our customers all the way to the plant operations level. We have put customer feedback loops in place, we are listening to what they have to say about our product and we are adjusting our processes and ensuring that we continue to meet their needs. I'll take you through some of that today as well.

It really is a pretty methodical process. I'm going to spend some time digging deeply into it to really talk about, step by step, how we were able to achieve this and deliver it.

It really starts with operational readiness. For any of you who have manufacturing or operations experience you know that it's not that easy to walk into over 100 facilities and tell everyone that we're going to raise the bar starting now and we need you to start delivering to a different specification. So there's a lot of operating readiness that has to take place before we can begin this process and I'll take you through that journey of how we were able to do that.

It's also very important that we can measure our performance, so we want to take the anecdotal discussions out of quality, we want to understand where we are at all times, how we're performing against our metric and have continuous monitoring systems in place to ensure that we continue to deliver against those metrics. I'll take you through that as well.

I've already mentioned the customer feedback loops. The most important part of this whole process is taking that feedback from your customer and feeding it back into your processes and systems, continuously adjusting, ensuring that you know what those critical characteristics are that they care about and that you continue to deliver against those needs.

Then control. This program is about sustainability. If you ask our customers, or at least the customers I've talked with, what they'll tell you is that CHEP is delivering on their promise, we've met our commitment, we've raised the bar on quality and they want to ensure that we continue to sustain it.

I'll talk a lot about control today, what we're doing to ensure that we continue to deliver every day from every plant for our customers.

Then, most importantly, we'll talk about the results because that's what really matters. So these four steps are what we have done in order to deliver results for the customer and I'll take you through some of the results as well.

We'll start with operational readiness. As I mentioned it's not that easy to walk into a bunch of facilities and say here's the new specs or raise the bar. The first thing that we did is formalise that specification. We took all the feedback from our customers, we culminated that during the US business review and we generated a specification that we knew would meet our customers' needs.

Jim mentioned earlier about solving for the pool, for all of the customers, with one solve for a pool and that's what we did with the US Plus and US Premium standards. So we identified what our customers need, we formalised that into a specification. You can see a little snapshot here of the front of that specification. Then we went out and we rigorously trained every single employee.

So we've got thousands of people out in the field who are delivering against our specification. Some of those are CHEP employees; some of those are through our third party management group. But before we began this process we took that specification out and we trained every single employee on what it is that we need for them to deliver to our customers. That's the first step in the process.

Then we charged all of those people with looking at their facilities and understanding what will this mean. So when you walk in and you begin to execute against this standard what is going to happen to your throughput, what is going to happen to your capacity, what is going to happen to your inventory positioning and are you sure that you're going to be able to deliver pallets to the customer the day that you introduce this new standard.

There's a lot of capacity planning that has to happen, there's a lot of bottom up ramp plans that have to take place. Plant by plant we had to understand when you introduce this standard what is going to happen in the facility and are you sure that you can continue to deliver.

So we literally went through plant by plant and what you see here is an example and this is literally an example from our Indianapolis facility. The operations representative who has responsibility for the Indianapolis facility went into his plant, he looked at his productivity, her understood what his throughput was and then he calculated what was going to happen when he introduced this new standard.

As a result of that we had to install some equipment in his plant, so before we could run and ramp and start delivering US Plus this facility needed some more repair tables and a few other things to ensure that they could deliver and still meet the customers' inventory needs while they were ramping.

So there's a lot of rigor that went into this and this is just one of the many examples but we literally built a bottom up plant by plant plan that allowed us to begin this ramp and to deliver against the US Plus. Keep in mind that we made this announcement on October 7 and we delivered all of this by March 31. So there was a tremendous amount of work that went into getting this plant organised quickly and ensuring that we did it right. This is kind of the first step in our quality journey.

Next is was about making sure that we had metrics so we can ramp all day long and we can install some tables and we can start to deliver to the US Plus standard, but if we're not measuring it we really don't know how we're doing. So we established a tremendous set of metrics, some of them are already in place today for our existing processes, some of them were designed around this new US Plus standard. They involved everything from cost to throughput to productivity, to first pass yield, all the basic manufacturing tools that you would use to measure your performance.

We put these into rigorous daily scorecards so that we understand every day from every plant how we're performing.

This is an example of one of the many scorecards that we use and we literally look at these scorecards every day. This is a snapshot. It really contains hundreds of facilities, but you can see just a snapshot of a few of these facilities listed here.

What this particular scorecard does is it ensure that every plant that we have in our network is what we call certified and we have requirement parameters around being certified. You're required to do a certain amount of audits off of all the pallets that you inspect and you're required to do a certain amount of audits off of the pallets that you repair to ensure that you are delivering to the standard before you're issuing to our customer.

As an example, you'll see here that you've got a certain number of repairs audits that have to be conducted. They're required to do 10 repair audits which is 120 pallets per audit over a 60 day rolling average. If they fail to perform those audits they will become decertified.

In addition to performing the audit, they also have the passing score which is required on those audits. So if they do that and they fail, then they also become decertified.

Then they're also required to do 20 audits off of all of their inspected pallets to ensure that those pallets meet the standard. Same concept; if they fail to do the audit they become decertified and if they don't pass the audits they become decertified.

Output, the reds and yellows are up here on purpose because this is a real document and we live by this document. There are going to be days where facilities go red and facilities go yellow either because they're not delivering to the standard, maybe they're starting to lose control with their processes or maybe the representative is not conducting the audits as he should to ensure that we keep a pulse on what's happening.

You'll see an example here if you look at the USEP which is the second plant to the bottom, you'll see that they're at a 91, or they were at a 91.32%. What that means is that they're going to become decertified if they don't improve their performance and if their repair audit standard does not go up.

They also have failed to conduct a proper amount of audits. They've done 18, they're required to do 20 on inspection. If they don't get that number up they will become decertified and, trust me, they'll get lots more attention than they ever wanted. There's a lot of people looking at this scorecard every day to ensure that every plant is delivering t our standard.

So it is driving deep accountability all the way out in the field to our people and also to our third parties. They're all using the same tools, we're all looking at the same scorecards and everyone knows how every facility in our network is performing.

Again, this is an example, we have lots of other scorecards and lots of other metrics. I just wanted to give you a feel for the deep plant by plant rigor that we're using to measure our performance against quality.

I talked about the customer feedback just briefly when I kicked this off and these are critically important. We've got to understand how the customers are responding to what we're delivering. We need to ensure that they're satisfied with what they're getting from us and that we continue to adapt and change with their needs.

Tom spoke a little bit about some of the reorganisation that we did from a sales perspective to get closer to the customer. The customer operations team, he mentioned the formation of a couple of vice presidents on his team who are charged with being there on the ground and close to the customer, they are a critical feedback loop for us. So we now have boots on the ground at the shop floor with our customers talking with them daily about how our product is performing in their system.

We then take that feedback from our partners, they feed it to the operations team and we translate that into action. We are getting real time feedback about defects that our customers may see with our product or about things that are not working in their systems for them so that we're able to adjust our processes and ensure that we're delivering what they need every day. So it's a tremendous feedback loop for us.

You've also heard some folks talk about the great reduction in rejections that we've seen. We've seen our customers rejecting less pallets. That data's still really important because if any customer is rejecting a load for any reason, we need to understand why.

We dig very deeply into rejections and complaints and we literally audit those pallets one by one when they come back from our customer so that we can understand exactly what they have rejected the pallet for, we can build our freighter charts around that, we can identify what those key drivers are that are causing our customers to be unsatisfied and then we can respond to that and ensure that we take action.

So again, a very data driven approach to understanding why our customers are rejecting our pallets defect by defect, component by component. Again, another example of that customer feedback loop, taking it from the customer, feeding it back into the process and adjusting accordingly so that we can meet their needs.

Then lastly we're partnering with our customers. We've kind of earned the right now. We've delivered on the promise, we've shown them that we can sustain these quality levels, we're continuing to deliver on that and it's early yet. I know we just made it there by March 31 so we understand that we need to continue to prove ourselves and we need to continue to show the customers that we're going to sustain this, and I'll talk about the controls and give you the assurances that we have that we can continue to deliver it.

But we also have a great team of people called our application engineers and these folks are a part of our quality team and they are out on the shop floor now with our customers helping them solve problems, bringing solutions to them regarding how they can more effective move their products through the supply chain.

It's not always about our pallets. We used to be on the shop floor talking about how we can make our pallet work better for you. Now we're on the shop floor talking about what else is not working for you and how can we help you bring solutions so you can move goods more efficiently through the supply chain.

I'm going to show you a basic example and I chose a basic one, there are more complicated ones but since I'm not an application engineer I'm going to give you a basic example.

We had our team go into one of our customers' facilities and the picture that you see here on the left hand side is literally an example of a conveyor system that our customers had in their facility. They were having significant downtime, jams in their system as they were trying to convey goods. They were on CHEP pallets but CHEP pallets were not the cause of this issue, it was a design system with their equipment.

Our application engineers worked directly with them, helped them identify a solution which is this deflector plating that you see here, the customer installed this deflector plating and now they are seamlessly moving goods through the supply chain.

So again it's an example of us being out there with the customer, talking with the customer, understanding what ails them and bringing solutions to the table so that we can help them move their goods to market as quickly as possible.

Again it's a basic example, there are more complicated ones, but it gives you the idea and the flavour and it helps you understand what we're doing out on the floor with the customers.

Next we'll talk about continuous controls which is really the heart of what our customers are watching to see that we can sustain this quality level, we can continue to deliver on the promise and that we will continue to meet their needs and deliver what we've committed to deliver.

For us the foundation of this is a six element process control plan. We're going to take you all to our Pico Rivera service centre tomorrow and I'll host you there. We'll take you through the plant and we're going to bring this to life for you. I'm not going to go into a lot of detail regarding the process control plan. I'll explain it briefly today and then tomorrow we'll show it to you in action.

The process control plan is really about taking six key elements that are quality drivers within the four walls of the plant and ensuring that we have control of those key elements at all times.

We've also worked very closely with our third party operators to ensure that they are aligned, their contracts are aligned, their incentives are aligned, their compensation is aligned with delivering these same quality standards that our customers are expecting of us.

In addition to that, we have realigned our employees' objectives. So every field employee that we have in the facility has the same accountability around delivering against this quality standard that our customers expect of us. So we're all aligned marching in step sync around this goal of improving product quality.

This is the process control plan. Again, it's a snapshot of a couple of facilities. Typically the process control plan scorecard will show every facility. What you can see here is that there are multiple elements and these elements really get to the heart of delivering quality, so it focuses on the processes that we have in the four walls of the service centre.

Every facility has an accountable operations representative who is responsible for ensuring that he delivers against each of these elements in this process control plan. It includes everything from training and certifying our people to conducting these audits to running statistical process control charts and ensuring that these facilities are in control at all times.

Again, I'm showing you the red and yellow on purpose. This is a living breathing document; it's alive. We look at it every day. We identify who needs to improve and who may be slipping in an area of the process control plan and we take immediate action to get it back under control.

I can tell you guys if this chart was green all the time I'd be very concerned because I'd have a strong view that the data wasn't representative. So we expect to see some yellows and we expect to see some reds because we know there's going to be times where we need to correct course, where we need to intervene to drive that discipline back into the process.

So again this is an example. If you look at the Aurora facility which is represented on the bottom line here, you'll see that they've gone yellow in an area and they've gone red in an area. Both of those areas are around employee training and they are not demonstrating that their employees have the competencies needed to deliver against the specification.

So, what we will do is we will go back in that facility, we will retrain every one of those employees and we will recertify them so that we can know with confidence that those inspectors and those repair people understand our certification, they know how to identify defects and they're going to deliver the product to the customer the way that we've committed.

So again it's another example of plant by plant deep rigor that we've driven into the process.

More controls; you're going to see a lot about controls because I think this is where we are in the process, to use the Six Sigma nomenclature which is what this is all really about. It's about now driving this control phase home, institutionalising this program so that it's the way we work every day.

We are doing a rigorous amount of audits also to understand our pallets. Someone asked a question earlier about the plant operating cost and how do you know. Anthony, I think it might have been you. How do you know where you are with the plant operating costs and how are you sure that your forecasts are where they need to be? Part of this is about understanding your asset.

We have driven a tremendous amount of rigor into not only looking at the pallet before it goes to the customer to make sure it's going to meet the customer needs, but looking at that pallet when it comes back from the customer so that we understand exactly what is happening to our asset while it's travelling through the supply chain.

We are literally looking at these pallets board by board, all 26 components and building (inaudible) so that we understand what boards we're going to need to repair and that we can forecast our operating cost effectively.

This is an example of one of those audits. One audit, 120 pallets, so please don't try to extrapolate it into some type of network number, but what I can tell you is that this is an example of the rigor.

Our people are out on the floor looking at these assets when they come back from our customer and they are literally going board by board to understand what boards are breaking, what boards do we need to repair, what boards are performing well and what are those operating costs going to look like in the coming days, in the coming months and in the coming years.

Thomas is going to speak with you in just a little while about some innovation on some things that he's working on that's also going to help drive some deeper understanding of how our assets perform in the supply chain. You'll hear from him when I'm done here today.

More controls. So the last piece of the control for us is really about removing all the anecdotal. I talked about that earlier. It's about data, it's about having a pulse, it's about understanding where you are and using that data to measure your performance.

So for us it is about statistical process control. We have created this nomenclature and this common language across our business and this is how we speak of our performance now. It's not about I think the customer doesn't like it or I'm pretty sure I delivered good pallets. Now it is about this is what my data tells me, I feel confident about my data because I'm following the process, I have the rigor and I have the tools in place to ensure that I deliver.

For those of your who aren't statistical people, this is an SPC chart, this is what we use to look at our trends over time to understand how our facilities are performing and what this chart represents is Pico Rivera's statistical process control chart. We're going to visit this service centre tomorrow, so I pulled it out intentionally. We'll kind of show it to you live while we're there in the plant tomorrow and how they gather that data and how they generate these charts.

This is an example and what it tells you is whether or not the facility is operating within the upper and lower control limits. If we see them deviate from those lower control limits it tells us immediately that we have a quality issue and we can look at trends over time to understand how that plant has been performing.

For those of you who are Six Sigma folks, we all know that variation is the enemy and in addition to that this chart lets you see how variable your plant is. You can really look at the trends over time, you can understand how you're performing to the specification based on all the audits you did, which is where this data comes from, and you can understand whether or not that plant is in control.

Our people are generating these charts daily, they're looking at these charts daily so that they understand exactly where they are and how they're performing from a quality perspective.

So, we feel good about where we are with Better Everyday. I talked some about the controls so the question for us is how do we continuously improve. In the first leg of that we've got three key focus areas in the plant operations team for CHEP USA. The first area for us is about that consistent delivery.

We talked about the customers saying we can feel it, you're delivering on the commitment, you're meeting the standard, you've ramped to US Plus, you've done what you said you would do, are you going to be able to continue to deliver that? That's what I'm watching, that's what I want to see and that's what I want to understand.

So for us it really is about that process control plan being institutionalised, becoming the way we work. It's not about a Better Everyday program, it's about the way we run our business, the way we operate our plants. That's what the PCP plan does for us. I'm not going to take you through step by step; I think I've kind of explained it enough at this point. But when we go to Pico Rivera you guys will see it in action and we'll show you where we train the people, how we train the people, how they become certified, you'll see the certified operators in action at work inspecting our pallets, repairing our pallets.

This is how we institutionalise it and really make it about the way we work.

Beyond consistent delivery for our team it's about standard work. Everything we do should be standard. We should standardise our processes, standardise our operating procedures, standardise our plants and we are on that journey. This is where the cost comes out. Someone asked a question earlier about how are you going to continuously reduce operating costs, how are you going to take down plant costs. It's about finding the best methods, the best ways to do things and standardising that across our entire network. That is where we are focused right now.

In addition to that we are strongly evaluating operating in a few more facilities ourselves. For those of you who are not aware, in the CHEP USA business our facilities are all operated by third parties with the exception of the Orlando Florida plant. Today our team is considering taking a few more of those sites ourselves, not because our third parties don't do a great job, because they do, they're the ones that have allowed us to deliver and ramp to this US Plus standard and they bring awesome and great ideas to the table every day that have allowed us to have these great initiatives and cost out metrics that we've shown you earlier.

But what it's about is taking their ideas and then being able to incubate those ideas in a facility that we're operating ourselves. We want to take a few more, we want to run them, we want to leverage those best practices that those third parties are sharing with us and then develop a standard across the entire network.

So we are strongly considering that over the coming months so you will hear more about that in the future.

Then the next piece of standard work, it's about the people. At the end of the day we're relying on the inspector and on the repair person to take care of our asset and to meet our commitment to the customers. It's about motivating those people, engaging those people, showing those people how they're performing from a productivity standpoint and motivating them to perform even faster and even better and even cheaper, still delivering a consistent product to the customer.

So we have really started developing industrial engineering standard, going task by task, repair element by repair element and making sure that we understand how are people are performing and continually incenting them to raise the bar and deliver at a higher level.

After you move through standardisation it's about optimisation and we are really working diligently to implement industrial engineering standards in our plants. I talked about the standard work and using those industrial engineering standards to drive best practices, to show people the best methods and to measure them against those best methods.

It's also about using those industrial engineering standards to model our facilities, to identify the best in class layout, the best in class designs and really use deep rigor in modelling our facilities as we upgrade our facilities and as we open new facilities.

In addition to that we are applying engineering controls when it makes sense. There are opportunities to automate, there are opportunities to remove the human variation. We talked about variation being the enemy, our desire to become standard and consistently deliver. So there are times where we will automate, we will put engineering solutions in place but we're not going to engineer for the sake of engineering, we're going to do it when it works, we're going to do it when it makes sense.

We are focused on that as well.

Lastly, but certainly as important as all the others, it's about leveraging that deep Six Sigma capability we already have today. You heard a tremendous amount from Elton's team at Recall about really leveraging the Six Sigma capabilities that the entire Brambles team brings to the table. We are doing that in the CHEP business as well. This whole quality journey that you see is largely derived from principles from Six Sigma and we continue to apply those.

In addition to that we are strengthening our bench from a lean manufacturing standpoint because for us it's about making those four walls where we operate as efficient and as lean as possible, taking out as much waste as we can so we're really leveraging and building upon lean manufacturing principles and you will see and hear more about that in the future for the US business as well.

So to the results. All of those things were the building blocks, they were the foundations that enabled us to get to the US Plus standard and to deliver on that Better Everyday commitment.

I'm proud to show you this chart because what this chart demonstrates is that we got there, we've got a plan in place to continue to sustain the performance, we are in control, we continue to be in control and we are institutionalising this program as the way we work.

What you can see her is that we have ramped our entire pool, our issues are at 100% US Plus and our customers can feel the positive impact of the work that we've done.

I spoke about the rejections earlier and this is an awesome trend that I want to share with you all as well. This is a trend that demonstrates since the initial investment in quality back in 2008 we are have seen a continuous reduction in rejections from our customers. This trend is exactly where it should be based on the investments that we've made, based on the controls that we've put in place and though this number may not be huge, these rejections matter. They are a lagging indicator, they are a voice from our customer and they are telling us if they reject that something is not right with the product that we've delivered.

So as I said, we dissect these, we go through them pallet by pallet, component by component and we adjust based on that voice of the customer. Again a powerful trend that demonstrates we're absolutely moving in the right direction.

This is the most important slide of everything that we've talked about. We can show you the data, we can measure ourselves, we can tell you how we think we're performing but what really matters is how our customers think we are performing.

To the point earlier some customers prefer not to have their name and logos represented, so we've removed those from these quotations, but what I can tell you is these are major brands, some of which are major global brands, and some of these represent some of our largest customers in the US business.

I want to specifically call out what I believe is so incredibly powerful which is this quotation that you see on the right hand side. To me this really says it all about what we've been about to do. This quote is from one of the largest fast moving consumer goods companies in the world. They are a fantastic partner to us. We learn a tremendous amount from this customer on a regular basis and we will continue to learn from them.

This quote really means a lot to me personally and to our team because what they've done here is they've said first of all we see what you've done, you delivered on your commitment to quality, you are making a difference, you are meeting your commitments, but they've also called our team members out by name. They have recognised our operations reps, they have recognised our sales team, they have recognised our third party operator that you see referenced here. So they know who we are, they know what we're doing for them and they are recognising that it's making a difference.

The most important part of this quote is at the end of this quote where they actually tell us that we've brought value to them, which is what this is really all about. You can see at the bottom of this quotation here the customer actually says we are getting productivity gains because of the work that you are doing.

To me there is no better testament of this investment, there is no better testament of the work that has been done for your customers to tell you that what you've done has brought value directly to their bottom line. So we're really proud of this and this is one of the many examples of what our customers are now telling us.

So lastly I'm going to set up a tour. We're going to take you on a series of tours tomorrow, as you've heard from quite a few folks. You're going to visit some of our customers and you're going to visit a Recall facility and you're going to visit one of our service centres.

Tomorrow we will go to the Pico Rivera service centre, which I will be your host for. This is our largest service centre in the CHEP USA network, so we're proud to be able to show this to you tomorrow.

In Pico Rivera we issue more than 6.7 million pallets per year to our customers. In FY10 we serviced more than 600 customers from this location, both in the California market and beyond. When we take you through the plant tomorrow we're going to bring this stuff to life for you. It's not just going to be about a bunch of charts that I put in a presentation for you. We're going to show you how it works on the shop floor.

We're going to take you through our inspection processes, we're going to take you through our repair processes and we're going to show you this process control plan that we keep talking about and we're going to demonstrate how it works out on the shop floor with our people.

So I'm excited about what we have to share with you tomorrow. I look forward to introducing you to our team at work.

Now I'd like to introduce you to Thomas Storteboom. Thomas is our Director of Innovation. He's going to talk with you about some of the exciting things that they're doing from a technology perspective, some of which feed directly into this discrete component intelligence in understanding our assets.

So with that, I'll hand it to Thomas.

Thomas Storteboom - *CHEP Americas - Director Innovation*

Thanks, Kim.

Before I begin I'd like to give you a real quick background on myself. My background is really varied between the technical and the business side.

I spent 10 years at Ford Motor Company before joining CHEP in 2007. At Ford I started out in manufacturing, went into strategic commodity planning and then finally ended up on a program management team. While I was at Ford I picked up a Masters in Engineering along with an MBA at the University of Michigan in Dearborn.

Since joining CHEP in 2007 I've been responsible for rolling out global IC products along with developing new product development processes for free use around the globe and then, lately, focusing really on our core product here in the US, the pallet itself.

Before we get into the pallet test track, I'd like to just take a quick minute and talk about innovation. I think Jim and Tom have both talked about innovation today and how we're going to become a more innovative company and put a renewed focus on that. We're really kind of in the infancy of that to some extent, so we're included our working definition at the top of the slide there for you to look at.

Really we're going to focus on a couple of things; new ideas that create value and then doing things differently, really that's coming from asking is there a better way of delivering to our customers, of operating or enabling our people to really change the way we do our business. Doing different things really comes from asking where else can we add value, what different things can we provide or offer our customers that would add value.

At the bottom I've included a little bit of an org chart there just so you can see where I fit into the organisation. Jasper Judd is really going to be the global head of innovation. I'm dotted lined into his group as the Americas representative but I report directly to Bill Pregliasco who reports to Jim Ritchie, as mentioned earlier.

In my role as the Director of Innovation for the Americas, I'm really going to be focusing on a few things but really it's looking at innovative projects that are going on throughout all aspects of the company. It's not just going to be products, it's going to be product services, processes. We're really going to take that definition at the top there and go throughout the company looking for innovative projects and helping to drive them forward.

A couple of things that I have on my plate right now that are interesting; I'm responsible for helping to move the innovation culture more quickly and, as part of that, I'm responsible for leading our company's interaction with a company called IDO. They're global experts in innovation and we've contracted them to help us with some of our innovative projects.

Additionally, I'm leading the pallet test track project which is why I'm here today ultimately, to talk to you about this new and exciting facility that we're going to add to CHEP.

In regards to the pallet test track, I'm going to give you a brief overview of how we currently test products and then how the pallet test track is going to fit into our testing capabilities and why it's important for us and, from an innovative standpoint, how it will help move us forward.

Also I'm going to talk about the capabilities that we're going to build into the system along with talking to you a little bit about the design of the system and then we'll get into a few of the elements of the system that we can share via some computer animation.

While we're on this slide I really want to make an important point here; the picture here is our existing Innovation Centre in Orlando Florida. Some of you may have visited it, but I really wanted to talk about it for a minute and just kind of brag about it.

It really is a state of the art facility that we've used for years to test our pallets and products and it has provided extremely valuable insight into our knowledge of pallets and how they operate within the supply chain. It also provides a lot of value to our customers.

In the last 18 months there have been 80 different customer projects that have come through, either we've tested their product or we've helped them with unit load simulations or scenarios that we can also conduct at the facility.

That's our existing facility and we're really quite proud of it.

As a market leader we're continually looking to move forward and the pallet test track is going to help us to do that.

So let's talk about how we current test products at CHEP. On the left here we have the Innovation Centre. It does great things for us but its focus is prototyping and manual test stations so we can quickly test a new idea that we have in our head. It helps us to do kind of quick one off innovation studies, but it doesn't really give us the real world performance data that we would need. If you think about it, a very small sample size of maybe 10 pallets, taking that change and implementing it into our entire pool is a significant business risk.

Without some sort of further testing, and the Innovation Centre's great but you can't roll it out across the network until you truly understand how it's going to perform.

In the past we've gone through field trials. Field trials are big, they're expensive, they're complex. If you think about it, trying to control some pallets in our pool, which is designed to freely let the pallets flow throughout the network, puts a lot of constraints in different controls and adds complexity from not only our standpoint but from our customers'.

So, to use a field trial as your main validation tool, it really is complex, costly and takes a long time so it really doesn't help aid quick development of new products.

To help solve that, we're going to build a pallet test track. This is really going to slot in between the two extremes of the Innovation Centre and the field trial. It's going to simulate the real world environment in a controlled facility. We're going to put it in Orlando, it's going to allow us to have quick simulations and detailed data gathering, which will really help us quickly evaluate new ideas on a bigger scale than we could do at the Innovation Centre, but without the cost, time and complexity that was required of a field trial.

One of the nice features about it is we can start testing with a small sample and as we see the performance come back in the ways we want we can either add more pallets to get statistically significant data or we can shut that test down and move on to testing something else.

Just to make a note here, the intent is to keep all three different methods of testing for the future. We see the Innovation Centre as a great tool for prototyping and ideas screening, comparing initial ideas, and we also see it as a very valuable customer tool.

The pallet test track though is going to become kind of our main validation for getting a lot of quantity and data in real world performance data. Field trials we'll keep for the future. They may change in their role slightly. They may become more of a final verification, customer acceptance type feature, hopefully smaller, less complex, that type of thing. But we plan on keeping all three and we think they're all critical to really rolling out a new product and really understanding that you have a product that is right for the entire pool.

Let's talk a little bit about some of the capabilities. For us it's going to be a global resource so, to that end, we are going to be able to test all the different global pallet sizes. We're also going to be able to test pallet modifications and other new pallets as well. Considering the future of the system, we also are making sure it's capable of testing alternative materials as well.

We may, in the future, leverage the facility to test some customer unit loads and additionally we may test more forklift accessories like the Blue Guardian.

Now let's talk a little bit about the design philosophy behind the system. Our engineering group went through and mapped a lot of the supply chain handling equipment that existed and looked at kind of the real world performance that we were getting with our pallets. They kind of mapped up different stations that will replicate real world handling scenarios and that's really what the system is. It's a replication of real world handling scenarios that we can program and tune so that we can see the same effects that we would see in our pool today.

The picture on the right is the CAD model for part of the system. That's going to be the automated impact loop. You can see five of the seven stations pretty clearly there.

In addition to that we will also have kind of a mini service centre within the facility and that's going to be essential to ensure that whatever changes we want to make to our pallets or we propose to a future pallet is truly compatible with our current service centre operations.

From a timing perspective, if you look at the bottom of the chart there, this is something that you can see that we're actually doing now. It's not something that we're talking about or we want to do in the future, we're literally doing it now. The equipment's going to start showing up at the end of September; October and November we're going to start the system up, tune it, make sure it's running right, get the performance characteristics set and then hopefully by the end of the year we are going to be testing our first products.

Now I'd like to get into just a couple of elements of the system. What you have on the screen here, this is one of the seven stations you saw in the previous slide that was kind of entire loop. We've just pulled it out for the purposes of the video.

What I'd like to talk about is that this station represents one of the common failure modes for a pallet. If you can envision a failure mode for a pallet could be when a forklift driver goes to pick up the pallet but he has the fork tines too high and he hits the top of the pallet, so he actually directly impacts the pallet rather than going into the opening. It can happen at a variety of speeds, the variety of speeds determine how much energy is imparted into the pallet.

For the purposes of today we've actually modelled kind of a high impact, high energy scenario so we will actually break the pallet in this situation, just so you can see the effect of what would happen.

That's important to us because we need to model a variety of impacts, the mild handlings to the extreme handlings. That's how we're going to get our data of how the pallets perform in the real world.

In the video the pallet's going to move towards the centre of the station and then the grey slide on the left here has simulated fork tines on it, so it's representing the front of a forklift. It's going to impact the pallet at the top, again as if a forklift driver missed the window opening, and then you'll see the results of the impact.

So here you can see the two grey tines at the front of the carriage there. This will all be programmable in terms of speed, impact, energy, position that it hits the pallet. That will all be part of our tuning phase.

To give you a sense of the speed at which this facility's going to operate, each station's going to cycle about every 40 seconds, so we'll have a different pallet coming off the end of the line every 40 seconds.

In theory, if we were to run the same pallet continually through the system, we could model its entire life in about six hours. That's theory because we can't actually run it that way; it takes longer to run through. Just to give you a sense of how quickly we're going to be able to capture data on this, if you think about the general pool and doing a field trial on a pool, you're all familiar with the statistic that our pool averages three to four turns a year, so now I can start running trips on a much faster basis and gathering a whole lot more data. It's really going to give us a lot of insight into the overall life cycle of a pallet.

Here we're going to go into the detailed data capture system that we have in place. It's important that we understand how our pallets perform and this is really going to help capture the insight that comes from running all of those trips. What you see here is a robotic arm with a 3D camera mounted on the end of it and this is going to capture the data. Running all those trips is great, but if we don't actually learn anything from each of those trips then we're just running cycles in a facility and not learning.

So we're going to capture all of our data with this 3D camera that scans. It's going to highlight automatically which components are damaged or have some sort of damage in them and then it will flag it to the repair bench, telling the repair operator exactly which component he will need to replace. So let me run that video.

The pallet will come into the station here from the left. We're missing some in and out conveyors that the pallet would normally be riding on. The triangle there represents the scanning area of where the robot is scanning at that point in time. As we lift it up we put a load on it, so we simulate a loaded scenario when we scan the bottom, kind of like a racking situation. It will do a full 360 scan of the entire system. I shortened it a little bit for the purposes of this presentation, but it does a 360 of the whole pallet.

The output from this system is going to be captured and linked to each individual pallet. We're going to RFID every pallet that goes through in the test so at the end of the test we'll literally be able to go through it like a flip book and see how that pallet aged as it went through the test cycles. So we'll get a real interesting look into how pallets are aging and how they perform over time.

In summary, I really just wanted to let you know the pallet test track is seriously a really exciting facility that we're going to add at CHEP. It's going to fill a capability gap that we've had for quite a while in terms of trying out new ideas. It's going to be really cost effective for us now and really quick for us to try out new ideas and new concepts.

It's going to be a global resource and to that end we already have nine different global projects already in the queue waiting to run. It's not something we're doing just to have fun; it's something that we think there's a real need and a real need ongoing that we will continually use this.

It's really good for us. It's going to reduce the business risk of implementing new ideas to the pool. We're going to be able to capture that data internally and then when we come to market we're going to have a product that we think, that we know will already perform well in the system.

So thank you for your time. I just wanted to introduce the pallet test track. We're running a little bit behind time so we're going to shorten the break to about a five minute bio break, so you if you could respect that we'll start right back up with Carey Sealy in about five minutes.

Thank you.

PRESENTATION

Tom O'Riordan *- CHEP Americas - COO*

It's my pleasure to introduce Carey Sealy who is our Director of Customer Loyalty Programs, we were just joking about the title. She's done a great job. She'll walk you through the changes made to Portfolio+Plus and some of the other initiatives we have. So I welcome Carey.

Carey Sealy *- CHEP Americas - Director Customer Loyalty Programs, Brambles*

Thanks Tom. Good afternoon. I'm the Director of Customer Loyalty Programs at Brambles. My responsibilities include leading our Recall and our CHEP businesses with the implementation of our customer loyalty net promoter program globally, after launching the program in CHEP USA this past year.

Prior to this role I was with CHEP for nine years, where I was responsible for the development and implementation of several global supply chain and customer facing solutions, including Portfolio+Plus.

Prior to joining CHEP I spent 10 years as a consultant with PricewaterhouseCoopers and Grant Thornton, who I provided management consulting services to companies implementing large scale global systems. Also assisting them with their change management programs.

Today I'll share with you two initiatives that really demonstrate our progress on developing innovative solutions to simplify our business and drive step change improvements in our customer experience. As part of the program that Tom referred to under 'Better Everyday'.

The first solution, which many of you may already be familiar with is Portfolio+Plus. Portfolio+Plus is our global online account management solution. I will take you through a brief history, the success we've had with customer usage, and also feedback from several of our major customers.

Then I'll discuss another solution that we developed to provide better asset management through exception reporting, and that's the account intelligence matters that Scott referred to before.

Lastly I'll discuss our commitment to continue to drive further improvement through the customer experience, through Better Everyday.

Portfolio+Plus is our global web enabled solution that allows customers to easily manage their CHEP account. It provides our customers with unrivaled ability to simplify and streamline equipment management. No one in the market place today has as comprehensive a tool for managing equipment pooling needs. It's become integral to our multi channel customer experience program, changes the way in which we work with our customers, and also change the way in which we work internally.

Equipment pooling by nature is complex and necessitates really good control. It's predicated on customer reporting and reporting accurately. So when you think about the 1.5 million moves that Tom referred to before, that get reported on a daily basis, a tool to manage and organize those movements becomes very key.

By developing customer insight tools, or by deploying customer insight tools such as the focus groups and also NPS surveys, we've really had a chance to co-develop a product that responds to our customer's needs.

Focusing on simplifying that reporting and also organizing the information that's needed to make solid supply change decisions everyday.

I'd like to highlight some of the key accomplishments over the last three years that have contributed to the increase in the customer usage that we've seen under Better Everyday program.

Starting in 2007, the Portfolio+Plus solution was rebranded, and we integrated our SAP, ERP and our Siebel back end solutions. This provided our customers to have new real time information.

In 2008 we moved our Asia Pacific and also our Middle East/Africa regions to our global platform, and integrated the southern hemisphere into Portfolio+Plus. We finally had a single solution for the entire CHEP world.

In mid 2008 in response to our online customer forums, we made additional investments in Portfolio+Plus. We developed really an 18 month plan with quarterly releases that took Portfolio+Plus to another level. Our innovative approach got SAPs attention and we were featured in the SAP Netweaver magazine for taking the SAP portal technology a step beyond where any other SAP customer had taken it before.

It would be able to provide benefits to not only our external customers, but also internally to us where we gained a ton of efficiencies.

The value that our customers derive through Portfolio+Plus has increased over time as well, in line with the different features that we've been able to develop. It started with providing our customers options for reconciling, adjusting equipment reporting, and also viewing inventory balances with real time data.

We continue to enrich our solutions with even more ways of tracking enquiries online. At that point we had a full suite of e-enabling tools for our customers. Anything our customer wanted to do online they could.

We moved to a proactive monitoring of performance indicators through account intelligence monitors. Really serving our customers with just the right information anytime that they needed it. Also providing online analytics.

Today we continue to collaborate with our customers and provide new online solutions that are in line with what they really need to drive value. With all of these features, Portfolio+Plus has become an integral way of doing business with CHEP. Customers now have a choice of interacting with us in any which way they choose. Whether that be by phone, online or even via their account manager.

More and more from smaller (inaudible) customers to our large club store customers, they're choosing Portfolio+Plus everyday. That's really a testament to its simplicity.

Under the Better Everyday program, we felt we needed to communicate the benefits of Portfolio+Plus to our wider customer base and increase the knowledge level of our internal teams, in order to better articulate that value that Portfolio+Plus is able to drive.

How could we really raise the awareness on all of our customers? So we created a short video that really highlighted the simplicity, highlighted the ease and highlighted the value of the solution.

We provided a copy of that to all of our customers, and also launched it through the CHEP website and other communication channels. So I thought what I would do today is show you that same video that our customers received as part of the Better Everyday initiative.

[Video Plays]

So that video was extremely powerful with our customers and really resonated. Not only did it have an immediate impact on the usage rate, but it also strengthened our relationships. It forged new discussions with our customers, and our ability to be innovative and drive additional value.

Portfolio+Plus is used by over 65,000 people all over the world today and is broadly applicable serving various levels of our customer's organizations. A more senior level manager may want to take a look at different analytical features, while each plant manager may want to look at Portfolio+Plus to manage specific inventories in their plant.

Even customers that use other reporting channels for equipment moves, manage some portion of their CHEP relationship via Portfolio+Plus today. As a result of the Better Everyday program, we've seen increase in our usage rate from 49% to 72% as you can see on the graph here.

This reflects really a 23% improvement - or 23 percentage point increase over the last nine months. This really exceeded the expectations that we had and we also surpassed the goal of 60% that we had, surpassing that back in March of this year.

While the usage rates may vary by manufacturer and retailer, we've observed increases in both segments. Also similar increase in other CHEP regions.

I'd like to also talk about two examples that contributed to the usage rate increases. The first is a transition from a manual to an online inventory adjustment. Manufacturers that report to us their equipment moves, may do so in various different formats. Portfolio plus really provides the visibility to all those movements, along with different graphical summaries.

A customer can easily identify any exceptions and request a modification very quickly. The process before was labor and paper intensive, with long cycle times for resolution and also opportunities for air.

The second example of the partnership was one of our large club stores to transition all of their club stores onto Portfolio+Plus. Not only did the move aid the customer in removing non-value added steps in their process, but it was also able to save them time and also money.

Additionally, just last month an article in the Packaging News in Australia references some of the new features we've incorporated for Asia Pacific customers. Also some of the positive ways in which CHEPs online systems have really simplified the customer experience yet again.

In my view, the most important measure is not what our data is telling us, but what our customers are telling us. They're saying a lot about Portfolio+Plus.

Here you see some of the direct quotes from some of our major customers. Simply put, they really recognize the value that Portfolio+Plus brings through its accessibility and also its simplicity. They recognize our ability to collaborate and also integrate with their processes.

There is really no better way to validate the value of the work that we've done, than to hear our customers tell us directly that the solution has really brought them measure of value.

So I'm going to transition and talk to you about another solution that we've been able to create today, and that solution is called the Account Intelligence Monitors. Again Scott talked about that before in his review.

The solution was really created to transform the way that the CHEP program is managed. The service delivers substantial savings for customers by allowing them to focus on really their core competencies. So it allows us to identify exceptions, manage the exceptions and also then put those monitorings around some of the key performance indicators, identifying some minimums and maximums.

CHEP internal teams to which Karen is going to talk about in just a moment, and Tom also elaborated on before provides a central point of contact that will proactively solve our customer's issues, even before they have an opportunity to even know that there is an issue.

These types of monitors or alerts are used in many facets of everyday life. To provide an example, one that may resonate on a personal level. Think about your bank which may have security alerts to protect you for confirming changes to your account, or alerts that trigger emails when your card is used outside of the country. Furthermore, doctor's offices, rental cars, they all have employed this alert concept to help manage the huge amounts of information that we receive on a daily basis today.

It really helps identify some of those key changes to sensitive activities that you really want to put all of your focus or attention on.

The concept is no different for CHEP. We've implemented this service with many of our customers already, and plan to roll this out to the remaining customers over the next 12 months. In addition to the value that is provided, the program enables better asset management for CHEP through real time exception management and provides even more program control.

The four monitors that are in place today, pull data from two of our back end systems in real time, and trigger emails to our internal team. In the coming months we're going to be looking at displaying these results via Portfolio+Plus, and also through emails to our customers.

The results of the program to this solution are really total program cost reduction, better asset management and also a stronger sales relationship. Because it allows our sales team to not focus so much on the program account management, but provide additional services on the relationship side, and our back offices are really providing that exception management or that everyday account management.

So in summary, the two solutions Portfolio+Plus and Account Intelligence Monitors have not only demonstrated that we have a sound platform to build upon for the future, but also have revolutionized account management for CHEP and its customers.

They've simplified our customer experience and empowered customers to transact whenever and wherever. They've minimized, and in some cases eliminated the administrative processes involved with managing the CHEP program. Our customers are telling us so. Through the verbatims, through our loyalty surveys, at our customer forums, the feedback is consistent.

The customer experience is improving and the solution has brought them value. Better Everyday is really working. CHEP has a really exciting future ahead, one where our solutions can continue to play a significant role in simplifying the interactions that our customers have with CHEP.

We will not stop with just Portfolio+Plus and AIM. The simplified invoice that Jim talked about before, total account management which Karen is going to talk about in just a moment, these are all part of our commitment to find new solutions to continue to simplify our ever evolving customer supply chain needs and provide CHEP a competitive advantage.

Thank you very much for being with us today, and now I would like to introduce Karen Hempel, SVP, Sales and Marketing.

Karen Hempel *- CHEP Americas - SVP Sales and Marketing*

Thank you Carey. Good afternoon, good evening, good morning for many of you.

I recognize - I don't know if I'm lucky or unlucky being the last presenter of the day. But it's been a great day, glad to see that you're all here. Hopefully we're keeping you awake, but we've saved the best for last. I'm a little biased because I love sales and you'll get that.

So let me just start by talking a little bit about my background. I'm Karen Hempel as Carey mentioned and I have 25 years of sales and marketing experience. I've been with CHEP for about 12 years - 12 years, sorry, it feels like that sometimes. Seven and a half months to be exact. As Jim mentioned, Tom and I both started on the same day.

So anyhow, prior to joining CHEP I spent 13 years with IBM and I've spent 12 years with Nortel and so I have combined over 25 years of sales and marketing experience at senior level management positions. Managing large groups of sales people as well billions of dollars in revenue in my last role.

You know what, when I think about all of that I think what you guys really want to understand and what you really want to know is what does that really mean to CHEP and what does it mean to my role today?

So I just wanted to highlight a little bit about that. Although my prior experience has all been in the high technology industry, there are many similarities that are directly transferrable to my role today.

So let me just start with IBM. Straight out of college and with IBM. IBM is widely recognized as having world class sales training and processes. Those have been proven to be very valuable to me throughout my career.

You'll find in any company, world class sales skills and discipline are applicable in any sales environment. Additionally my entire success has been built developing sales teams to serve customers both large and small, with a heavy emphasis on business development and major growth initiatives.

Technology industry is one of the most rapidly changing environments, and I am extremely comfortable in reinventing my strategy my organization my sales team to most effectively compete and learn. When you talk about competing, the technology industry is probably the most competitive industry in the world. In a competitive environment that CHEP is in today, we must constantly reinvent ourselves. We need to be proactive, we need to listen to our customers and we've got to evolve to their changing requirements.

All of these skills are second nature to me, and I will talk about how I've applied these skills to CHEP in these seven and a half months that I've been on board.

So let me just talk about one of the things that was really compelling for me when I was considering joining CHEP. Was an impressive list of blue chip companies that are CHEP customers.

If you look at this list, it's just a sampling of the list, but it's an enviable customer base by anyone's standards. Since joining CHEP, I've had the pleasure of visiting over 50 of these customers from our largest to many regional customers that would be considered small and medium enterprises.

These are customers that are considered true leaders in our industry and combined comprise a significant portion of our annual revenues. So it's given me a very broad perspective on our customers and their business.

They've provided very direct feedback and insights into their requirements as well as what's been working well for them and areas of opportunity for us for improvement. That feedback, along with my experience has provided the basis for our sales strategy and execution in allocation of our sales resources.

So the key here is really getting in quickly, stabilizing the business, understanding what is going on. At the same time, refocusing the organization on growth and setting the structure to execute going forward.

I'm proud to say that we did that, it wasn't easy but we did it. The key has been that we have to retain our national accounts. We've got to grow within this account base and also execute on the incremental growth within the small and medium enterprise market.

We've re-established our customer confidence. They're telling me that. We're keeping our promises and we're improving our execution. Kim and Carey both outlined keeping our promises and executing in their presentations, so I'm not going to spend a lot of time talking about that. But what I do want you to remember is that as we enter FY'011 we have significant momentum and the pieces are in place to generate growth and we're going to spend a lot of time talking about that today.

If you look at the revenues of CHEP USA over the last decade, we've experienced tremendous growth, but that growth has recently stalled. In our performance since the 2008 peak is less than our expectations, and I'm sure it's less than your expectations as well. So no doubt, the US economy over the last 24 months has had a real impact on the shipment of goods, and consequently our business as it resulted in organic volume declines.

In addition, the focus areas that we're addressing through Better Everyday, pricing pressure, a few customer losses as Jim mentioned, contributed to the sales decline over the last two years as well.

So what's important is we've improved our quality and our customers are telling us they see it. We are becoming easier to do business with. Our customers, I would say, feel better today about their business than they did two years ago. As Scott mentioned earlier and I really want to re-emphasize again, over the last two years our new business has exceeded our losses. Due to all of these factors, the base business has a much better feel to it. I think that's really important because it provides the platform for our growth going forward.

However, we must move beyond the plateau. We've got to reignite sales growth. So over the next 30 minutes, and again on Friday, I will share with you the plan for accelerating growth in the US business.

So our previous structure was based more on a centralized command and control design. As a result, issue resolution and decision making were too slow. Our sales organization was burdened with account administration and management that limited our ability to think strategically and really expand our existing relationships. So as part of our Better Everyday commitment we restructured the organization to get closer to our customer.

In the sales organization now we're focused solely on strategic relationship management for retention and growth within our existing account base, and our new business development. I've flattened the organization to remove some of the people management responsibilities, allowing our best account managers to spend more time with customers.

Now we have the right people on the right jobs. So in addition to creating more focus an offloading account administrations ourselves, people can sell, we've added 20 incremental resources and they're aligned to specific growth segments. We're also continuously assessing talent and upgrading skill sets where needed, as well as aligning resources geographically with our customer's operations.

So the bottom line is we have gotten close to our customers and we can now increase sales velocity.

Tom mentioned the quality customer experience team, so I just spoke about removing account administration and management from the sales teams. So the newly created customer experience team quality customer experience team, is led by Mary Ann Plumb. Mary Ann reports directly to Tom. This team has full responsibility for the day to day operational management of our customers. Taking that out of the sales organizations, but it where it's best so they can apply best practices, and really have a much stronger focus on the operational side of it.

It's a field based group, so I think that's really important. It's not a group of people in Orlando, but it's a field based group and they function as the bridge between sales and operations, delivering quality customer service and improving the efficiency of how we operate with our customers.

This has enabled us to develop a team of experts. On Mary Ann's team were the two VPs that Tom mentioned that were added there. They are a team of experts that really interacts daily with operational contacts within our customers, solving the problems, addressing their needs and they are accountable for quality assurance.

So it's these changes that have enabled the sales team to really focus on selling activities and develop more meaningful relationships with decision makers.

So in early April, I announced a sales reorganization and it was based on my prior experience as well as customer feedback. It really was focused on enabling our sales teams to get closer to the customer.

Through this reorganization I've increased the ability to measure and manage sales performance, resulting in increased accountability of our sales reps, and we eliminated team quotas.

Our sales reps now will be measured on individual results and we also introduced a very aggressive comp plan that pays on performance and rewards growth. In addition, we're continually developing our top talent as well as recruiting strong performers both inside and outside of CHEP.

We had a very good system in place as far as just the day to day management of teams and Kim talked a lot about the rigor and the processes. So managing on a transactional basis we had a really good system in place. What was really missing was the strategic piece of it. So we implemented the program called Critical Path Strategies, and it's a strategic account and territory methodology that provides a basis for our sales teams to really develop strategic plans for large accounts and their business prospects, as well as territory plans for our small and medium enterprise accounts.

It allows them to have proactive business planning within the sales teams, focuses them really on strengthening and elevating strategic relationships.

The methodology also provides the tools and sales discipline for our sales managers to coach and maintain better visibility to sales team performance.

In addition to that we expanded our value proposition, via value added services and I'm going to explain those in more detail in a few minutes.

So let me talk a little bit about the sales leadership team. I'm very, very proud of this team, it's a team and I'll tell you we are really having a lot of fun working together. But delivering on our growth strategies really requires world class sales leadership. So I am personally very proud of the team that we've assembled.

Combined it represents over 165 years of sales and marketing experience. We have a great combination, a deep CHEP knowledge and global experience and fresh perspective. The biggest thing, we really looked at in organizing the team was capitalizing on the proven skills of each sales leader. So we all look very different as far as what our skill sets are.

I organized the team around our growth opportunities and how we're really going to go to market. When I came to CHEP we our sales team was organized in a fashion that it was more on a geography based fashion. So you could have a national account manager who has a very, very large national account. They may have also had 20 to 30 other accounts. So as you can imagine, it was very difficult to get at a strategic level and really think about things differently.

They were more of a reactive mode rather than what I'd call a planned and a disciplined approach to the business. So we reorganized really to capitalize on this. So what we looked at as we said, look, we need people who are focused just on national accounts, and who are really, really good at driving strategic relationships and getting beyond the day to day operations, thinking about how you really drive additional value into your national accounts.

So we've created a group of national accounts. We also created a team of regional and territory accounts, and then we have a new business development team. So as far as the leadership team Brian Malloy, he is our veteran. He's been with the business 16 years in sales. He is what I would call our historian. He's got great customer relationships, very deep, very broad customer relationships.

He has responsibility for our large global accounts, as well as he has responsibility for our customer forums. I've asked him to be the executive leader for our customer forums. In addition to that he is also the leader for our industry relations with GMA and SMI and all of the industry associations that we're associated with. He sits on several of their boards and really brings a wealth of experience, knowledge and adds huge value to the team.

So then Dan Walsh is the VP of New Business Development. Dan actually was in the office on September 1, last week, yay. I waited a little bit of time to get Dan but that was worth the wait and he's already in a week proving that it has been.

Dan started his career with CHEP. He's been with CHEP for 12 years. Started in Australia, moved to the UK, was a key factor in the growth of the automotive business in the UK. Most recently he moved to having leadership responsibility for the UK and Ireland and really delivering significant growth there. So he's a huge addition to the team and we're happy to have him.

Paul Kovie has been with CHEP for eight years. He has very broad background, a lot of growth experience. He went with CHEP to China. Started the business in China signing up 125 new customers. So a really good global experience there as well.

Additionally I eliminated two layers of management within our national accounts. This is really about trying to get closer to the customer. I have put two senior directors in these position.

Bruce Brawley is leading our National Accounts from the manufacturer side. He has 15 years of experience with FMCG companies. He's been with CHEP for 11 years. Most recently he was leading our beverage vertical, where he consistently exceeded his targets on that.

Bill Williamson is leading our National Retailer Accounts. He's been in the industry for a long time. He's been with CHEP for seven years, most recently was driving our business with Walmart and Sam's Club, which he will continue to have responsibility for. In addition to several of our other large retailers.

Then last, but not least, Derek Hannum, Director of Marketing. He has a broad and vast background in marketing. Has led marketing teams with Nissan among others, and really no changes to his function, other than we added a few resources to help him.

So when I look at our growth strategy, two of these things I'm going to talk about today, one of them I'll talk about on Friday. But our growth strategy is really focused on delivering growth from three areas. First would be building upon our existing account base. This is a very, very valuable asset for us, so national accounts all the way down to small and medium accounts.

Second would be winning new customers, and then last but not least we'd be capitalizing on the small and medium enterprise market. So I'll walk you through the first two growth drivers today and then I'll go into even more detail on Friday on our strategy for the SME market.

So in our existing customer base, a high penetration of the largest FMCG companies provides a tremendous foundation for growth. By expanding our value delivery and becoming more deeply embedded with these accounts, we can help them achieve their objectives, such as reducing cost and improving their relationship with their customers, very important with their customers, which in turn unlocks additional volume and revenue for CHEP.

Due to our entire team's work with the Better Everyday program, we've significantly improved our position to defend this account base.

It's no secret our primary pooling competitors are focused on our large customers. I want to take this opportunity to set the record straight.

One of our competitors has been stating that there have been no customers that have converted back to CHEP. I will tell you that is quite simply false. We are winning business back that was lost to pooling competition, including one of the top poultry producers and a large protis account just last month.

So in total, our win backs have exceeded 3.1 million issues, so it's not insignificant, and we expect more as their contracts mature.

So just as importantly we renewed contracts, and Jim mentioned I think worth over $260 million, where the customer evaluated competitive offerings in comparison to CHEP. With respect to winning new business, we've added resources, specifically focused on targeting and pursuing new customers, including existing verticals such as food service, produce and beverage where we've had strong growth in recent years.

In addition, finding non participating distributors or retailers is key. We did sign 85 new retailers this year, but that helps us unlock volume growth by reducing our customer's cost and it opens up more in markets where pool products are used.

Then finally we're launching new initiatives to drive even deeper into the SME market, which I'll discuss in detail on Friday. But the key to that market is really our unique position with our extensive network, our service centers as well as our massive distributor retailer base.

We are very uniquely positioned to win an SME market.

So let me talk now about the CHEP value proposition. We are much, much more than just a pallet provider. We've invested enhancing our value proposition, which delivers unmatched value to our customers.

So you can see on this chart our competitors can really only play on the first couple of areas within this. Our broad capabilities represent competitive advantage. So it's our size and our scale that really allows us to deliver these services.

So whether it's from applications engineering and Lean Six Sigma engineering, supply chain, solutions expertise, use of our Innovations Center, transportation optimization and shared logistics; to total account management, we're delivering real value and quality service to our customers.

We've just launched a micro site this week to tell the full CHEP value story and we're really, really excited about it. You can access the site at www.chep.com/totalvalue and the site is really cool because it describes the features and benefits of our service offerings and our innovations, our customer centric tools designed to boost operating efficiencies, and our advantages versus our competitors. So I hope you take a few minutes to check it out. It's pretty cool.

I will be with you for the next several days and can provide a lot more detail on any of our value added services. But today I just want to highlight a few of them. So the key to remember though is that CHEP delivers many services to our customers.

So if we look at our value solutions, we have a host of unique capabilities. Kim provided several examples of value being driven by our applications engineers. Lean Six Sigma engineers and supply chain solutions team. As another example, our Six Sigma team provided expertise to Proctor and Gamble in delivering a customized solution for their automated storage and retrieval system, demonstrating that CHEP can and will continue to meet the requirements of automation and manufacturing.

Our Innovation Center has conducted over 80 packaging and unit load tests and studies for our customers in the past 18 months alone.

On the next few charts I want to provide a bit more detail on the value being driven by our customers by transportation collaboration and on total account management. The transportation optimization, as you probably know, transportation represents a significant operating cost for CHEP as well as for our customers. It's also proven to be a tremendous opportunity for collaboration with us with our customers.

So transportation collaboration sometimes we'll call it shared logistics, same thing really. It's one in the same, but it's exploiting the natural synergies between our transportation network and our customer's network.

Using lean logistics technology, which you're going to hear from Dan on Friday about lean logistics. But using lean logistics technology, collaborating with our customers, we've optimized 31 transport lanes and eliminated an estimated 351,000 empty miles for our customers. This service lowers overall supply chain costs for CHEP and our customers and it's a great environmental win as well.

None of our competitors have the volumes or the network capabilities to deliver this type of value. I think this quote from Dave Ratliff at Walmart really speaks to the value we're delivering best. If you look, I'm not going to read the whole quote to you, but if you look at the quote, he really talks about the mutual benefits with one of our platform providers. He talks about the collaborative initiatives reducing costs and reducing that cost is reducing our costs as well as reducing their cost.

Improving that sustainability makes good business sense. If anyone has had any work with Walmart you know sustainability and green initiatives are very, very important to them. So this really helps us drive a lot of value with them. That's just one example of what we've been able to do with transportation optimization. But it's a classic example of some of the value that we're driving for our customers.

So next is total account management. What total account management is it's a solution that was created specifically around the needs of key customers with complex supply chains.

CHEP has 20 plus years in the pallet pooling business in the US. What this service does it lets our customers focus on their core business while we focus on the management of the CHEP program for them.

We put a dedicated resource placed at the customer's location and the results have been phenomenal. So looking at it from customer by eliminating program administration, reducing cycle times, the results have really been substantial savings for the customer.

What this does is this allows us to really expand our existing customer relationships and the long term strategic partnership. We've implemented this service with several customers already. Our plan is to roll this out to 30 major customers in the next 12 months.

We're really excited it. The customer feedback has just been great.

In addition to providing a value added solution for our customers, I would stress this program also enables better asset management for CHEP through real time program management. It allows us to have much better visibility so it's truly, truly a win/win for us and for the customer.

So by way of example Unilever was our initial pilot and the results were dramatic. They have asked us, they don't want us to share their information, so that's why you don't see any of the chart filled in here. But I just wanted to give you an example of that, because really by designing this program collaboratively with Unilever we focused on their business goals and we created a custom solution that delivered measurable impact for them.

So what package includes is customized management tools, pulls data from our systems as well as the customers' system in real time - and that's really important, real time. What that allows us to do is really drive cost-reduction for Unilever. It allows us to have better asset utilization for CHEP and then a solid foundation on which to truly develop a true strategic partnership.

So when I looked at the growth strategy, all of the value-drivers that I just spoke about briefly that will enable us to retain our existing large accounts will also benefit our new business acquisition customers as well. Beyond that, we have renewed our commitment to new business acquisition under the proven leadership of Dan Walsh, which I mentioned a few minutes ago, delivered excellent growth in very mature markets in the UK and Ireland.

In addition, I mentioned previously we've added 20 sales resources focused on new business acquisition. Another key thing we're doing is we're applying new business development resources to the large accounts that we lost in the last 18 months to win them back. So we're really looking at - most of them I think it's important to note, and I think Jim may have mentioned it in the question and answer period that when we - any of the major accounts we've lost, we haven't lost 100% of the business. So we have retained a portion of the business, and in some cases a pretty significant portion of the business.

However, even when you're looking at that and you have a really, really good account manager on it, when we really look at it and say, you know, how do we really go out and proactively go after and win this business back, we made the decision we're going to put our new business sales reps on it and say, let's go treat it, we'll continue to manage with account management the existing business, but we're going to put a new business development resource on it and go out and really go and show them what we can do and what our value proposition is today and make sure that they're up to date on that, and go and win them like we would a new customer. So we're putting a great amount of focus on them.

Let me talk a little bit about creating sales velocity. So, in addition to the incremental resources, sales resources, we're solidifying our team with refocused and incremental marketing resources. I mentioned [Derrick]'s team, not a lot of change as far as their function, but we did add some resources to it. The expanded group will work with the sales team to increase lead generation and lead nurturing programs as well as deliver sales training and development and also process optimization.

We're also creating sales velocity through empowerment. By improving the processes involved in finding, signing and keeping customers. So from the optimal customer qualification process, to simplified contracts, we're driving down the sales cycle time and driving up the number of new accounts that we're signing.

Scott mentioned our sales teams averaged one new account per day in fiscal year 2010. I think the number he used was $86 million. That was in Americas number. But in the US in fiscal year 2010 that delivered $62 million in new revenue following the better everyday announcement. So we're continuing that momentum coming into fiscal year 2011 as well.

So on Friday I'm going to take you through our SME growth strategy in some level of detail but let me wrap up today by highlighting the significant sales momentum we have built coming out of fiscal year 2010. Our supply chain team has delivered on our quality, outline them better every day. They're helping restore our customer confidence. And the quality customer experience team that I mentioned that MaryAnne's leading, they're focused not only on account servicing but they're expanding the services that support value delivery, and adding new value services every day.

Like any good salesperson, I want to let the numbers do the talking. So our sales momentum is clear. We have, as I mentioned, won back over 3.1 million issues from our competitors. We have delivered $260 million in contract renewals, every one of them well aware of the alternatives to CHEP. We've had over 750 lane expansions within our existing accounts. We signed up 85 new retailers that will now take care of our assets and encourage more conversion from alternative platforms. Our new business development team signed, on average, more than one new customer daily.

I'm looking forward to spending time with all of you over the next few days in discussing our SME strategy in more detail on Friday. Kim mentioned she will be your host at the service center tomorrow. I will be your host for the customer visits. We're going to have a lot of fun. We're going to start at the Vons distribution center and this is actually kind of a cool location for us to be able to visit tomorrow because a little known fact - and they'll probably tell you this tomorrow but I'll tell you so you already know - but you can act surprised, okay? This was the site, this actual distribution center, was the site where the very first pallet of CHEP goods was shipped from Proctor & Gamble on a CHEP pallet to the Vons distribution center. That's where our history began, so it's kind of cool the way it all worked out. It will be really fun.

Then from there we're going to go across the street to the private label manufacturer, where you'll get to see the manufacturing of private label goods. I think they're actually tomorrow going to be producing bonds-branded soft drinks while we're there. So it will be a lot of fun. I think you'll really enjoy it and really, really looking forward to hosting you tomorrow and seeing you at dinner tonight as well. Thank you.

Tom, I'm going to turn it back for questions.

Tom Gorman - ***Brambles - CEO***

Thanks, Karen. We're going to open it up to a question and answer session, and Jim's going to join me up here.

QUESTION AND ANSWER

Jim Ritchie - ***CHEP Americas - Group President***

Well, moving to question and answer and probably deflect most of the questions to our panel. Simon?

Unidentified Participant

Just the focus now on the lower-tier customers. How does that change your average time from first meeting to conversion? And also getting that win rate up from one per day, does that require more people or do you actually have the resources to get that up?

Karen Hempel - ***CHEP Americas - SVP Sales and Marketing***

We have focused some of our new incremental resources on the small and medium enterprise market. I'm going to spend a lot of time on Friday talking about it so let me be brief and I'll be happy to talk more about it. So really, when you look at the SME market and the reason your sales time - you know, time from initial contact to closing the business is much more condensed is for a couple of reasons -- one is, and probably really, really importantly - in many, many cases the retailer is the one who's advocated for us to work with that customer. So they'll either have the customer call us so it can come in through our inside sales center, or it can come through - the retailer would give us the lead and say hey, can you call this manufacturer, we would like them to ship on CHEP into our business.

So we'll contact them either through the inside sales center or, once (inaudible) are qualified if it requires field engagement we'll send it to the field and have a sales representative follow up on them from there. Then from there, we can then look at - let's just say for example that Wal-Mart was the person who said, hey, we'd really like this manufacturer to ship on CHEP. So we'll talk to them about that. Then you can look at the rest of their account base that they sell to, their customers, and see if those happen to be any of our customers as well.

Where you have a match then we can then convert those lanes to shipping on CHEP as well. So it's a much, much - it's a very focused sales cycle but it's also usually pretty quick because typically a small and medium enterprise business, they're very, very keen to drive scale with large retailers. So they want to do anything they can to help meet their goals. So if there's been a request from the retailer, it's also a great way for them to help contribute to sustainability initiatives. That's something that's very hard for them to do on their own. So it's another way for them to be able to contribute to them.

Unidentified Company Representative

Sorry, just one more. On the whitewood market, what are seeing there in terms of pricing and oversupply?

Unidentified Company Representative

I think overall pricing has remained relatively stable in the whitewood market. We certainly had a spike in lumber costs. That happened - they've not come back down to kind of a normal level. But we never really saw a material change in whitewood pricing. It's kind of all stayed relatively stable over the last 18 to 24 months.

Unidentified Participant

Just a couple of questions just on losses. Can you just touch on what initiatives are currently underway to reduce losses and then what the operating expense implications of those initiatives may be. Secondly, just regarding funding of issue growth going forward, I think Scott mentioned earlier that turns in Americas or US at the moment are around 3.5 times, which I assume is just on pallets currently in circulation. So just going forward, do you think you can do much better than that or do you think growth will be more funded by capital expenditure?

Unidentified Company Representative

Well, let me try and take those. I think those are probably a little bit more general. So, first off, in terms of programs to stem the tide of losses, I think it's important to remember it's really simple for competitor number two and number three to look at our customer base, not spend a lot of money on marketing and just try and pick off our customers. So it's really important that we do that.

When Karen talked about rolling out total account management, when you go out and visit customers, really what they tell you is, we don't really want to be in the pallet business. And who better to be in the pallet business than us. Tom said this one time, which I kind of liked. If our life didn't depend on it, we probably wouldn't care that much about it, but right now our life depends on it, you know, being in the pallet business. It is really important to us.

We've got the experience and the deep breadth of experience, so total account management is a new service offering. We're going to roll it out to our top customers because of the volume, really kind of mandate that it makes sense. We'll roll it out to every customer but at a certain threshold level it will actually be a chargeable service. So it is a protective item and we've used that very, very effectively in fiscal year 2010, as we rolled that out to customers that were under severe competitive threats with offers of outrageous deals. It was one of those things that was very important to them and allows us to free up their resources to focus on what they do best, and allows us to focus on what we do best.

Is there an operating expense component to that? Certainly. But then the reality is that we're shifting a lot of resources, and we're making investments in the business. It's always cheaper to keep a customer than it is to go out and find a new one and we certainly recognize that.

In terms of the second part of your questions - that was such a good answer part on the first part, I forgot the second part.

Unidentified Company Representative

Losses.

Unidentified Participant

Oh, on the losses.

Karen Hempel - ***CHEP Americas - SVP Sales and Marketing***

On cycle time.

Unidentified Participant

Right. Cycle time is between 3.5 and 3.7 today. What can we do to change cycle time? Well, there's a couple of things that we're working on, in terms of with retailers when they re-use our pallets. So we've got a couple of very specific programs. These are things we're going to do, so we're not going to really talk about them in detail. We're not going to talk about them in detail until we've actually done them. We've piloted them with several retailers and we're in the process of expanding that as one of our major initiatives. But what we're focused on is the amount of time that our asset spends at the retailer and how we can get that back. The better the quality, the longer they want to hold onto it, ironically. So we want to be able to turn those assets and get them back to us.

But I also will leave you with this, in terms of cycle time and the terms. The platform doesn't determine the cycle time. It's the customer, okay? So if you wanted to think that we could get to six, the platform doesn't determine the cycle time. Only the customer does. And it's the type of customer that you target, and there are some that are very fast moving but they are few and far between. As you continue to grow, that cycle time comes back into a normal level, which we think right now for us is sitting to 3.5 to 3.7. We've love to see that increase and we're going to take some very appropriate and aggressive steps to try and get our assets back so we can turn them quicker.

Karen Hempel - ***CHEP Americas - SVP Sales and Marketing***

Can I just add one thing on that though? Regarding the losses, I think the other thing we should make sure that we highlight is that the only account, the only major account that we have lost since the implementation of Better Everyday is ConAgra. And we didn't lose 100% of the business, so I think that's really, really important. I would say we're never comfortable. You know, I think like every good salesperson you're always paranoid. But I will say it feels more stable, however - and that's really due to the quality improvements that Tom's team has been doing. As well as, I'll tell you, quite frankly, from a customer standpoint, it's really about the approach - and it started with Jim, when he came into the business and the approach - our approach to the customers are saying, you guys aren't the arrogant CHEP that you used to be. So those things take time and they take time for them to really understand and for them to really believe that it's true and it's here to stay. But they are seeing that, but the quality has really made a huge, huge difference.

The other thing is, with respect to cycle time, total account management really helps us reduce cycle time with the customers as well, because you have better visibility. It's better for them, it's better for us. Helps them reduce our costs but it also helps us manage our assets much better. So Jim said there's some other things we're looking at but there's a lot of different initiatives around how to do you really increase the use of your assets, so more to come.

Unidentified Company Representative

If recall in (inaudible) presentation, we're adding about 25% more heads in our asset recovery group which reports to me. I didn't mention it in my presentation he had covered it earlier. So these are always self-funding and they're out everyday finding our assets that sometimes just wind up being stored in places. So that's a significant increase and they're underway hiring those right now.

Unidentified Participant

Just while on cycle times, can you gives us some indication of the cycle times of the contracts that you've lost? Are they within that 3.5 to 3.7 terms?

Unidentified Company Representative

I don't want to guess, Anthony. I'd probably be guessing if I gave you - my instinct tells me that they were a little bit higher. Scott, do you have any thoughts on that?

THOMSON REUTERS

Unidentified Company Representative

It really just depends on the particular customers that we lost. In the beverage example, those typically at higher cycle times, which we had with some of the business that we lost with the Pepsi Quaker account back in fiscal year 2009. But we look at the ConAgra business, they have different product lines that have different cycle times and they're more representative of our total supply chain.

Unidentified Participant

Just on the slide regarding the value proposition vis-a-vis the competitors. A couple of things first - on the theme of getting back on offense, can you talk a little bit about lessons learned? How you were able to win back business that you lost first of all, and secondly picking the right clients is often times a key in any of our business. I'm just wondering, as you look at your client base, are there clients actually that you don't want to retain? Maybe they're too aggressive or there's not a right fit for CHEP?

Unidentified Company Representative

Well, let me start and then Karen, I'll defer to you or to Tom. But when you're in the middle of what I call a fairly aggressive turnaround, you always segment your customers based on profitability, right? I said before, it's not a hobby. We want to do this and make money at it and so, to the extent that you get to a point where you're not getting the kind of returns that you need, those are the customers you need to go back and have a robust dialogue, and talk about what pricing may be or where the account relationships may be.

So, certainly we have done - rest assured we have done our fair share of that. I think the good news is, a lot of the business was priced appropriately so there wasn't a drastic amount of that work that had to be done, and it was fairly isolated. To the credit of the team, we go through those tough conversations without losing a lot of business. We just materially changed the commercial relationship that we had, you know, with those customers. I think that was, you know, a really important part of that. But I think lessons learned goes back to even a little bit farther back. This is a great business with a great business model, a fantastic customer list, and they really brought supply chain value. I'll go back to Jim Collins' book, that sometimes success breeds - or gives you some blinders. Sometimes when you're real successful, you fail to take chances and you fail to innovate. And that innovation, I'll call barrier to entry, right? So you create an opportunity there that can sometime be the wake-up call that you need in order to get your business back in the position, back in fighting shape.

I think that sometimes, in a crazy sort of way, we're going to look back on this ten years from now and say, that was a really good thing for our business and it was a good thing for our customers and a good thing for our industry, because it got us - it woke us up and it got us back in fighting shape. I think right now, coming out of fiscal year 2010 with the momentum we've got, we're in it to win it.

Unidentified Participant

Do you mind if I just add something to that?

Unidentified Company Representative

Well, you're the boss so we'll kind of..

Unidentified Company Representative

What happens if we say no?

Unidentified Company Representative

I have a little more tenure, although I was in Europe watching from a distance at the time, but look, I think there is probably a cultural bit which Jim has touched on a little bit. But I think it's easy to be a revisionist historian here and I think it's quite dangerous to do that. I think, at the time, if you look at the growth pattern, the growth trajectory that CHEP in the US was on, it was very hard to see that pattern ever slowing down. I mean, there hadn't been a year where CHEP hadn't grown. I think that they - their view of what the customer wanted, they felt they were delivering to the customer expectations. Then as customers demanded more in terms of quality, the solution was to deliver new pallets because we need new pallets anyway.

I think that if we're going to be critical, we didn't really drive to the root cause of the issue. What was changing with the customer and what was the root cause of why they needed something different than we were supplying - I think that the discipline that we're trying to get to now with getting closer to the customer is really understanding what the root cause is in the market place, then you can choose to address that. There are customers that, look, we choose not to work with. At the end of the day, we're not a philanthropic organization. We're meant to be a profitable organization so you may find some customers that either have demands that are not consistent with an open pool, or they may have requirements that add more cost to our system that they're not willing to pay for. Then we're going to have make a decision to walk away.

But I would be careful as a general group of being very critical of the past, because I think they made decisions given the data at the point in time. What we're saying today is that getting to the root cause is critically important to understanding our customers better and then we can move forward from where we are today.

Unidentified Company Representative

Thanks for correcting me on that one. Translation - he didn't like my answer.

Unidentified Participant

The question was asked earlier - you've got the sales revenue pie chart and the split of that by customer size. And then I think Scott answered that utilization of the pool roughly equaled the revenue split. But I'm just curious, I would have thought the larger customers would have been on - you would generate lower revenue per turns from the larger customers, and also with some of the bigger retailers like Wal-Mart, you've got longer dwell-times. So that's obviously going to increase the utilization of the pool to revenue on those basis. So I'm just wondering, with those smaller customers where the claw back is? So what are the offsetting factors, benefits, that you get with the larger customers?

Unidentified Company Representative

Well, I think on Friday, Karen's presentation will go through that in a little more detail. But what I did mention earlier is that the relationship with the retailers, and the amount of dwell time that they have our pallets is something that we've got specific programs that we're right now - we've piloted with some, but we're right now in moving forward to implement with several others to change, materially change the amount of re-use and dwell time that occurs at that retailer. We've had great success with those that we've piloted it with, but we've still got more work to do before we're ready to comment on it more publicly.

When the small-to-medium size enterprise starts to ship into that retailer, you might think that just creates more pallet volume into that retailer and thus more dwell time and would slow down the cycle time. We don't believe that will happen, based on the other steps that we're taking. I'm sorry to be intentionally vague there but I want to make sure that we're right about the programs that we're getting ready to implement and that we've got proof of it before we talk more publicly about it.

Unidentified Participant

This is probably more a question for Tom Gorman, but just in relation to the stuff that you've gone through today with the Better Everyday program, how is that impacting the way you think about the global business?

Unidentified Company Representative

Well look, I think that's a great question because we don't run the businesses just uniquely US. They're not gigantic silos, US is doing this, Asia Pac is doing one thing and EMEA is doing another. In fact, today, the way we're organized to get best-practice sharing, we have a member of the executive leadership teams responsible for each one of the global councils, and as it turns out, Jim is responsible for the global operations council. The operating head of that happens to be Carmelo Alonso in Europe. But Kim sits on the same council, so we try our best to get - we use slightly different terminology and there are flavor differences between the markets but in terms of putting in lean discipline, putting in visual factory difference disciplines, standardization of practices, those are being handled as they counsel and as it turns out, Jim happens to oversee that.

The flipside is, on the logistics side, you'll meet Dan on Friday - Dan runs that, from an operational stand point but the executive head of that is Dolph Westerbos who sits in Europe. So we try and get best-practice sharing implemented through that structure within the CHEP business.

Unidentified Participant

As far as the timeframe goes, have you got any indication of - are you able to give us an idea of what sort of timeframe you're looking at?

Unidentified Company Representative

The timeframe for what?

Unidentified Participant

Globally, sharing of the ideas globally.

Unidentified Company Representative

There's nothing going on today that isn't shared globally.

Unidentified Company Representative

Yeah, it's active now.

Unidentified Company Representative

Yeah, and even - Tom has touched very briefly on the IDO project. That IDO team has a member on it from every regional group. You know, I've talked about this before but I also believe strongly in moving executives around the world. So Peter Mackie, who now runs Asia Pacific CHEP for us used to run Europe and he's brought all that intellectual property with him. So the ability to connect globally within CHEP is better than it has been and senior executives have responsibility to make that happen.

Unidentified Participant

Just two final questions. The 3.1 million issues that you've won back, that's been an increasing number? Obviously excluding ConAgra? Because there's talk out there that Gatorade is coming back onto CHEP?

Unidentified Company Representative

Well, we won't talk specifically about customer names but I will tell you that it is excluding ConAgra.

Karen Hempel - ***CHEP Americas - SVP Sales and Marketing***

(Inaudible) does not include Gatorade --

Unidentified Participant

Okay. Second question around Wal-Mart, them taking empty miles out of the system. Given they took TPM out of the system, is there a possibility of putting TPMs that you do back into their system?

Unidentified Company Representative

Well, I think anything is possible and it probably wouldn't be appropriate for us to comment on it, in terms of us putting TPM's facilities back into their system. But I will tell you this, and because it's directly from them, that the relationship we have with Wal-Mart right now today is stronger than it ever has been. We're touching them at a number of different places within their organization and we're extremely confident about that relationship.

Now, you can never take it for granted but it's something that we've worked very hard at. We've got a team on the ground there and it's extremely powerful to watch, when you go to visit - Tom's been there I think two or three times in his short tenure as CEO. That kind of attention they really appreciate. But when you walk in and they're trying to recall specific programs they have, and our people are naming the programs that they have that aren't related to pallets but are just programs that they're doing in their logistics department, our people are really ingrained.

It's quite comforting. If you didn't know who they were, you would have a hard time discerning between the Wal-Mart and the CHEP employees when you sit in a meeting and talk to them.

Unidentified Participant

Just a few questions here. One's just a tactical one. How do you actually track your asset turnover by customer?

Unidentified Company Representative

How do we track cycle time by customer?

Unidentified Participant

Exactly, because you don't know what pallets are picking up from the retailers.

Jim Ritchie - ***CHEP Americas - Group President***

Well, I think from an accounting standpoint - and Scott I'll defer to you in a second - but from an accounting standpoint, remember what happens is we issue pallets to a customer. A manufacturer or - they then are responsible to communicate back to us when they've moved them out of their system and who they've moved them to. Then it tracks, from that point, if it's gone to the retailer it sits there. Then we're able to count when they come back from the retailer how many of those pallets are actually coming back. So we're able to balance that system in that way, okay?

Unidentified Participant

But is that more of an estimate then?

Unidentified Company Representative

More of an estimate?

Unidentified Participant

So when you go back to a Safeway or a Wal-Mart, you're picking up 200 pallets but you actually don't know which 10 of those came from PNG and when they were shipped?

Unidentified Company Representative

True. Scott, I'll ask you to comment on that.

Scott Spivey - ***CHEP Americas - SVP and CFO***

Yeah, I think the way Jim described it is accurate. So any of our customers, we track their reporting of flows from a time we issue to them to the retailer that they're participating with. We know the various retailers that they participate with, so we know the cycle time held at the manufacturer. Then, from a pool average, we understand, whether it be Wal-Mart or any other retailer, how fast they turn and return pallets to us, okay? And you really combine both of those to really understand the combined cycle time. You don't do it on a specific pallet, you do it on the averages.

Unidentified Participant

Okay, that's helpful, thanks. Then maybe from a bigger picture perspective, if you're operating in the economic environment that we're in today and it persists for a couple of year and we get to some sort of normal growth environment, what type of sales growth objectives do you guys have set for yourselves for the US division?

Jim Ritchie - ***CHEP Americas - Group President***

Well, I think from getting into specifics, in terms of percentages we probably won't talk about the actual percentages that are here. But I will you this -- we're making investments in the sales organization by adding sales heads. We're coming off of our best sales year since 2006 in the USA business specifically. And keep in mind that we're now introducing new services, new products, and the quality of our product is better than it's been in a long, long time.

So we're going to be very, very aggressive in the market from a sales and from a growth standpoint. The three-pronged approach that Karen talked about, leveraging the existing relationships that we have with customers. We were at a customer a couple of weeks ago and they said, a year ago, Jim, when you came and saw us - it happened to be the first customer visit I had - they said, a year ago if you came and saw us and you wanted to talk about growth, we would have told you, focus on doing the basic fundamental things right, get the quality consistently at the level that we want, it will be easier to do business with. A year later, a couple of weeks ago, they said now is the time to talk about taking our relationship to the next level. Karen and I have been on a number of calls, as have Tom and I and others. We see a lot of growth opportunity within our existing base of customers and we've rebuilt that trust and we think we're primed and ready for it.

The new sales teams has additional heads, additional opportunities to go out and grow. They're coming off of a fantastic year, so we want to leverage that. Then the third component is aggressively going after the SME market. You'll see on Friday why we think we're more uniquely qualified than any competitor to go after that market and capture it.

Unidentified Participant

And just a quick housekeeping question - how large is the sales force right now? You talked about adding 20 but what does that mean on a relative basis?

Unidentified Company Representative

Total? The total number of heads in the team?

Karen Hempel - ***CHEP Americas - SVP Sales and Marketing***

We ended up - we transferred about 150 to MaryAnn's team, so that was the account - account help, I think is what we typically refer it to. Then on the sales side now, it's about 180.

Unidentified Participant

Including the 20 that you've added?

Karen Hempel - ***CHEP Americas - SVP Sales and Marketing***

Yes.

Unidentified Participant

Okay. Then lastly, this is a topic that's kind of been addressed from multiple perspectives today but from a profitability perspective, people have been asking about, where do plant costs and the percentages of the sales end up over time, et cetera. But I think your longer-term targets get to more of a mid-20s operating margin for the US division. Could you talk about what are some of the factors that give you confidence that you can get back to those levels? And maybe from a devil's advocate perspective, one could argue that your operating margin today, excluding your Better Everyday one-off costs, might be more of a normalized margin, because that's the level of operating (inaudible) you need to maintain the quality of pallets that your customers are demanding. So maybe you can just talk about what gives you confidence there.

Unidentified Company Representative

Let me talk about it from this standpoint. I think the business, as we've seen, is highly leveragable right now. So as we continue to bring growth into the business, and we've got a number of programs and initiatives, we discovered one of them here that we are working on behind the scenes, in terms of cycle time and getting the assets back from the retailer and unlocked from the retailer so that we can re-use them quicker without having to buy new.

So there's a number of things that we're in the process of doing that we're not talking about. Because when they're done then I think it makes more sense. It's kind of Tom's philosophy of say less and do more. That's really what we're trying to put in place here. So when we think about where we bring the business back, and I think about the leverage that's in the business model, I think there's tremendous operating leverage with a little bit of economic wind in our back, with the continued sales growth that we've got, unlocking the assets so that we can factor in some of the turns and the efficiencies that we get there.

I think we speak for Tom and probably a lot of the other people on the team - when we look at opportunities to take costs out of the business, they're plentiful I guess is the best way to say it. We've got to be focused, 'cause you can't do everything. If everything's important, nothing is. So we're going to continue to take costs out of the business. We're going to leverage the business model. We don't need to raise overheads. We're going to invest in growth and marketing and how we drive new services and new products. Some of those that we will charge for, some we won't, based on the customer size.

I think, when we see seasonality pop into the business, which it does from time to time - although we don't report it on a period-by-period basis, but when we see a seasonal peak occur - which, what does that mean - that means increased volume. When we see that happen, the incremental profit that falls to the bottom line gives us confidence that this business can get back into that margin level.

Unidentified Company Representative

I think from a timing standpoint, Tom's going to come up and take a few questions but for the rest of our team, I think we're...

Tom Gorman - ***Brambles - CEO***

Well, thanks Jim and Tom and for the CHEP team again. Just as we did this morning, on behalf of everyone from Brambles here, so thanks very much to the CHEP Americas team and for your contribution this afternoon. Thank you very much.

We were actually just running a little bit behind schedule and we have about an hour until we're meant to board the busses. I'm going to be with you all through this evening, obviously all day tomorrow, and then we have some time set aside for question and answer on Friday afternoon. But I thought I would just offer, if there are any burning questions that you'd like to direct to me specifically or there are broader Brambles or CHEP questions that you'd like to get out today, I'm happy to take a few minutes of questions. Then I'll ask James to come up and just cover all the housekeeping. But it's been a long day, I know, thus far.

Well, I'll take that as, no thank you Tom. I appreciate that. Well look, before James just covers all the housekeeping, let me thank you all again for today. I know how difficult it is to make a long trip and then kind of be locked in to a talking heads session throughout the day. But just from looking around the room and looking at the focus that you've kept throughout the day and the interest in our business, it makes us feel very good. I know I speak for Greg on this as well. He and I are really the primary guys that are out spending time with investors, with analysts, with bankers. It's great to see your interest in our business and I hope that today was valuable to you. We're only one day through it. I would encourage you all to ask as many questions of our team as you feel necessary tonight. It is assigned seating for the evening but don't let that affect if you want to want to move around and talk to different people, please seek them out.

The whole team will be there this evening and then again tomorrow there'll be more time and then again tomorrow night at dinner. So thank you again for your participation and your focus during the day. James will cover off just a few housekeeping details and then we'll see you for dinner tonight. Thank you.

James Hall - *Brambles - Director, Investor Relations and External Communications*

Thanks, I'll be as brief as I can. You may have noticed there are some feedback surveys on your tables. We'd really appreciate it if you filled those in. We'll collect them on Friday at the end but it's very valuable in sort of putting together these kinds of events and knowing what you want to see and what you want to hear.

Tonight we're actually going by boat to the restaurant. The boat leaves from - you won't be surprised to hear - the side of the hotel where the water is, at about five-thirty sharp. So if we can all aim to be in the lobby at about six-fifteen, there'll be some of the team from Destination Pros, who are helping us with the event, will be there to point you in the right direction. We will be coming back by bus. Of course, if you want to stay out and go out after dinner please feel free but you will have to sort out your own transport in order to do that, but there's plenty of taxis around here so that shouldn't be an issue.

Dress code tonight is business casual. Aside from anything else, you probably will want a jacket 'cause we are going to be sitting outside and it can get a bit chilly in the evenings. Tomorrow morning, we're departing at eight o'clock from the valet area and we'll be loading the buses from seven-forty-five. We will be giving you lunch. We will be providing you with safety gear. But do grab something to eat in the morning if you want to get breakfast.

Tomorrow we'll be going to Vons, which is a CHEP distributor customer. We'll be going then to the Pico Rivera service center, then we'll be going onto Fontana with Recall and coming back here for dinner. If you can't come to anything, whether it be tonight or tomorrow, please do let one of us know so that we just know not to expect you. Finally, I'll just remind everyone if at all possible, just do try to keep wearing your name tags. It just helps the team here know - remember who they're talking to. So, thanks very much for today.

FINAL TRANSCRIPT

Thomson StreetEvents℠

Conference Call Transcript

BXB.AX - Brambles Limited Operations Review (Day 2)

Event Date/Time: Sep 10, 2010 / 03:00PM GMT

CORPORATE PARTICIPANTS

Jim Ritchie
CHEP Americas - Group President

Arturo Cabrera
CHEP Latin America - President

Mike Dimond
CHEP Canada - President

Karen Hempel
CHEP USA - Senior VP, Sales & Marketing

Tom Gorman
Brambles - CEO

Jim Infinger
Brambles - Group Senior VP & CIO

Kevin Shuba
Brambles - Senior VP Customer Development

Dan Dershem
LeanLogistics - President and CEO

CONFERENCE CALL PARTICIPANTS

Russell Gill
Macquarie - Analyst

Video played

PRESENTATION

Jim Ritchie - *CHEP Americas - Group President*

Mercifully we see blue shirts, not all white shirts. So I wanted to make sure we had that. So Philippe was concerned about the uniform we were all wearing on Wednesday because we all kind of showed up with white shirts. So I promised him something different.

Again, this is the last day and as we start to wrap up I want to thank everybody for the time and attention that you've given certainly to this event but also in particular to the CHEP Americas' team. This team has worked very hard to present this information and on top of their day jobs and their day jobs are quite complex and quite aggressive right now. I'm really, really proud of what they've accomplished. Yesterday we had an opportunity to go see some site tours and what you saw is really full transparency. I hope you felt that. You didn't have a professional pre-scripted series of events of where they were going to take you.

They were going to take you through the facilities. They were going to show you kind of what they do. You had a chance to see really our assets in action. We didn't set things up. You saw some that had been damaged, you saw some that looked really good, but there was no pre-scripting there and I think you probably got a sense of that as we walked through there, which hopefully you feel good about.

You also saw a lot of opportunity and rest assured we see a lot of the opportunity as well, but maintaining that philosophy of Saying Less and Doing More. There's lot of stuff we're working on and we just want to make sure that we are able to validate what we believe we're going to be able to get done before we really start to talk about it in a more aggressive format.

We also have to know that certainly competitors and customers in some ways are going to be listening to this and so I think everybody kind of understands that in that regard.

Today we're going to talk a little bit about where we go. You are also going to get a chance to see and understand more about our Latin American opportunity with Arturo. Arturo, as I mentioned on Wednesday has been with the business for 14 years and we see great opportunity for growth in Latin American countries. He'll talk a little bit about that as well.

You'll have a chance to hear from Mike Dimond and Mike certainly runs the Canadian business for us, has done that for 22 years and continues to perform exceptionally well up there and is also looking at some exciting things that we think we're going to be able to o in the future.

Then lastly from America's team you'll hear from Karen Hempel and we'll do a little bit of a deeper dive into the SME. But before we get to that I just want to kind of maybe take some of the feedback that I've gotten from many of you in the cocktail hours, dinners and others and talk about a couple of things.

In terms of driving efficiencies and eliminating waste, specifically in the Americas' business but really, or in the USA business, but really throughout the Americas we still believe that there's robust opportunities for us to continue to drive process efficiencies, eliminate redundancy and waste, change the way that w do business, be closer and service our customers better and become more efficient and take costs out of the business.

For obvious reasons we don't get into a lot of those kinds of details here, but rest assured at a very granular level, we've got teams of people that are accountable and know exactly what they have to get done in terms of driving cost efficiencies and eliminating waste and will continue to do that.

I want to come back to the growth strategy that Karen outlined. There were three elements to that growth strategy for the USA business in particular. That first element is leveraging the existing relationships that we have with our customers. You might have gotten a little taste of that yesterday as you walked through the warehouse and the bottling plant and saw opportunities for us to create expansion either in the white-wood or perhaps even other platforms.

We'll continue to work on those things, those customers are asking us to do more and we're certainly very aggressively pursuing those opportunities to do more. Those relationships with those existing customers are long standing and are the foundation for the growth that we've had and we've had tremendous success not only in renewing a number of those contracts last year as they came up for renewal, and as Karen pointed out all of those contracts had opportunities and they fully were aware of the options that they had and they renewed with us, which we're extremely pleased with.

There was also a number of contracted expansions that Tom and Greg have alluded to in the year end results, which again reiterates the fact that those relationships remain strong and we see great opportunities for growth there.

The second element of the growth strategy for the USA is really around our new sales. We have significantly increased the new sales by adding 20 new sales people into the mix. They had the best new sales year since 2006 in FY10 and so we're certainly looking to continue to leverage that success and we think we've actually upgraded the actual senior management and the talent there by bringing in Dan Walsh from the UK.

He started in Australia, worked in the UK and Ireland and has extensive experience not only in Automotive and you'll hear from Kevin today on Automotive, but also has extensive experience in really kind of building that small to medium size enterprise and bringing that into the network.

When Karen talks today about the third leg, which is the SME I think one of the key takeaways for all of you is that that SME strategy is really the opportunity for us to dilute the dependency on the mega customer, not that those aren't important, they very much are ,but to really bring greater balance to the overall customer mix.

We think that's an exciting opportunity and we also think in the USA at CHEP we are the only one that has the network advantage to be able to pursue that opportunity in a cost effective way. If you study the SME channels in any industry, they will tell you they typically will carry larger margins, they will be more loyal however there's a higher cost to serve.

What we believe is we're at the tipping point within our network and that gives us a unique advantage. So we're very excited about those three prongs for the USA business and you'll hear Karen go into a deep dive talking about the SME piece today.

But we also want to make sure that you have a chance to understand more about Latin America and the opportunities that exist there as well as in Canada and then Kevin will talk about the Automotive and you'll hear from Dan Dersham talk about LeanLogistics. From my perspective being a career logistician I am very, very excited about Lean and where we're going to take that opportunity in the future. So there's tremendous opportunities for growth and for synergies in the business where a 1+1 = 3 for us when we utilize Lean. So you'll hear more and more about that as well.

But without any further ado let me introduce Arturo Cabrera and we'll talk about Latin America.

Arturo Cabrera - ***CHEP Latin America - President***

Thank you. I don't know if I should say good morning or buenos dias? To start with, let me tell you something, probably you all know this but this is the second largest Spanish speaking city in the world after Mexico City, believe it or not. So I think we should do this in Spanish.

Okay, my name is Arturo Cabrera, as Jim was saying and I'm President of Latin America. I want to thank you for this opportunity to talk to you about Latin America and how we are - yesterday someone recalled that I did this same presentation, not the same one, but talking about Latin America and the growth opportunity about five or six years ago in Sydney. We have evolved since then.

I joined CHEP almost 15years ago to start the Mexican operation before joining CHEP I worked for several companies, all of them international companies and always in the marketing and business development areas. I have worked with an advertising agency, Young and Rubicam. I've worked eight years for the PepsiCo Division in the restaurant division and I worked there franchising the business and growing the business in Central America and the Caribbean.

Then I worked in (inaudible) Bell Atlantic when the accelerated telephony industry was starting up in Mexico. Most of my career as I said, I have been working for marketing and business development areas and basically throughout Latin America and the Caribbean. That gives me a very good sense of what we can do for CHEP and I have been doing.

As I said this presentation is about a broad story, which starts with the overview in the Latin American region, then we will move to our presence in the region, which I want to mention has more than 400 employees. Seven years ago when I was making this presentation we had like 40. Today we have 400 and we have 43 service centers located in our countries in the five countries that we are going to talk about.

We serve 14m000 accounts in the region and we'll see a little detail on that. But we will continue with the CHEP performance in the Latin American constantly changing environment. We will talk about the changes in the region and what are the identified drivers or lessons and opportunities for continuing growing this region.

In Latin America we have 21 countries, and represent an emerging market with high growth potential but undeveloped in some areas and one very important is logistics and we will talk about that and it how affects CHEP's development and good opportunity.

The region traditionally has suffered from a volatile economy, political turmoil and social unrest but clear signs of stability can be perceived in the last years. One of the key characteristics of Latin America and a challenge for our business and this is very important is the fact that the population is highly concentrated in capital cities.

Mexico City has more than 20 million inhabitants and Sao Paulo something like 18 million inhabitants. You will notice coming from Australia that in some cities in Latin America we have more population concentrated than in all the Australian territories, that is important.

There are still industries rapidly consolidating with international players like Wal-Mart and Carrefour and some few local exceptions like Pao de Acucar in Brazil which is very important and I will mention that later. Latin Americans are different to the rest of the world in terms of major international chains absorbing smaller local supermarkets.

The difference is the speed at which these numbers of players is rapidly reducing. You can see in the news how fast Carrefour, Wal-Mart and Pao de Acucar are acquiring other small chains and how Wal-Mart is rolling into the region acquiring small supermarket chains that we thought would never happen but is actually happening in Central America and is very important for our development, that link with Wal-Mart.

This concentration in the retail business is a driver for a more intense use of pallets ad for that implementation of best practices and logistics which benefits the development of our business. We have to mention and we'll see that palletisation in Latin America is not that big, not as it is in other countries, we will see that.

CHEP established its first operation in Chile. Why in Chile? The reason to be in Chile is that at that time CHEP United States was starting. They needed pallets our wood was cheap in Chile. There was fresh produce in Chile to take to the United States so it was a good opportunity to supply CHEP United States with let's call it, lower cost pallets than the ones manufactured in the United States. So that was the reason and CHEP established a joint venture with two Chilean groups.

This operation was acquired by Brambles in 2000. The second operation was Mexico. Also initiated in 1995, late in 1995 and this was a response to an opportunity after the Free Trade Agreement where global accounts like Unilever and P&G increased the flow of their products between countries. They established new manufacturing plants in Mexico to supply the United States at lower cost. So it was a good opportunity for CHEP to start in that business in Mexico.

It is very important I mention this to you. When we started in Mexico there were no transfers to the distribution. The distribution was not using pallets at all. So our service was closed loop with these loyal accounts. In 1996 with the opening of the first Sam's Club store from Wal-Mart we started the way that pooling works around the world and we were making this jointly with Wal-Mart to develop the business there.

Based on the initial expansion projects in 1997 when (inaudible) we said where we should be moving next, we decided that since we already had Chile to go to Brazil. Brazil because of its size and population and they already had this organized retail system with Carrefour and Wal-Mart leading and Pao de Acucar growing it was idea to there next.

After we opened in Brazil through an acquisition. There was a small company making some kind of pooling with blue pallets and the load was very similar to ours, we bought that company and we started from there in 1998. Then we moved to Argentina. Since we had Chile and Brazil, Argentina was missing there. We started from Greenfield in 1999 the start up there and then it was with the decision to acquire Chile in 2000 and complete the southern count.

As you know we have a small blank spot there it's Uruguay. In Uruguay it's a country that has very limited manufacturing capacity and very limited distribution systems but they are supplied from Argentina and our customers in Argentina asked us to serve them in Uruguay. So Uruguay is a country that is just a receiving country, not pooling at all.

Then as we speak we have a program with Wal-Mart as they bought some local chains in Central America, we established an agreement with them to develop five countries in Central America so that's what we are doing right now. Going into Central America in five countries this year. This will replicate, and I hope successfully, as we did in Mexico 13 years ago a project that we put together with Wal-Mart and CHEP. This was what put Mexico and CHEP Mexico where it is today.

When we put together this program in 1997, we talked about the Andean region and in the Andean region we were talking Venezuela, Colombia and Peru. The idea was to open that region before opening Central America, because of the potential that they had. Unfortunately, and we all know we have spots there in Venezuela. So all the turmoil and political instability in Venezuela made us hold it for a little bit until we could see that its calm there.

We are re-evaluating the Indian region and will probably open some operations there in the next three years, but today we are concentrating in opening the five countries in Central America. It is very important for us that when we enter a new market it's a well established retail system in the country. If we don't have that it's very difficult to go ahead and delays the evolvement of CHEP.

This is the case with Colombia and Peru where basically the Colombians have a very good retail system and Peru, the people from Chile have invested a lot in Peru so this idea of right now the only things that we have to resolve is Venezuela is in the middle.

Okay. In this slide you can recognise, when I was talking about 14,000 accounts that we serve, some of the big players. You can see Kellogg's you can see Wal-Mart and you can see P&G. But we have a very important list of local companies and dominant in their fields. We have CCU in Chile, it's a large brewery. We have Pao de Acucar they control the retail business, they lead the control business sin Brazil. We have Chedraui a retailer in Mexico the second largest after Wal-Mart. So we have an important set of FMCG accounts that maintains our solid position in the region.

One of the characteristics of Latin America has been the history of changing economies and the economies have always been ruled by the political environment. Although in the last years we have experienced a period of stability, which is projected to continue for the next years, to facilitate this presentation we will concentrate in the four main countries for us, Argentina, Brazil, Chile and Mexico.

In the last six years the GDP has improved and rapidly recovered from some international events and the global economy has affected. But the economies have recovered very fast. You have told me about your interest in Brazil. Brazil is a country that recovers very fast because they self-consume whatever they manufacture or produce they can consume. They are not highly dependable on exports or imports so that makes Brazil very interesting.

You see that these countries recover fast. We have the case and this is related to the political environment, of Argentina. Argentina suffered from four presidents in one week in 2005, so it went through a series of political problems between 2005 and 2010 that incredible reaction in 2008. So if we take a look at the retail sales growth by country we can see how Argentina reacted and recovered.

One thing that is very important in the retail industry in Latin America, never, never happening in negative, it has always been positive. It has always grown that is great opportunity for CHEP to keep on growing. This offers a great, great opportunity for us.

If we take a look at this one and this is one that I want to spend a little bit of time on to explain to you what is the effect of this. Fortunately here most of our penetration, our penetration is very low here and we are comparing with Europe and the United States. You can see how it is per pallets per capita. You can see that Chile it's about the same performance as some countries in Europe but not Brazil, Mexico and Argentina. Why is that we have this low penetration having been in the area for 14 years now?

It's very simple. Most of the low income population prefers to go to street vendors and street markets so that makes a difference. These channels are supplied by wholesalers. Wholesalers are an important piece of the distribution in Latin America. So you have these wholesalers operating from the central markets, (inaudible) market. They lack (inaudible) capacity to handle pallets in most of the cases. So they don't use pallets. Then they distribute to the street vendors and street markets. So we have to work with this sector to make them evolve and get better practices in logistics and then adopt pallets. That is one of the reasons why we are that low.

Let's look at our CHEP penetration in the FMCG. This is our estimate and you can see how low we are. It is a great opportunity for us to increase this penetration into the FMCG and I was telling you it's all related to how we can culturize the industry and the markets in order to make more use of pallets.

You can see Brazil, we can talk about the big potential of Brazil and we are talking that we have 12% penetration, there is still a long way to go. Mexico we are 25% and outside of this we have still something like 16 countries where we are not established. So those are big opportunities that we have to continue our growth in Latin America.

What about other products and platforms. This is a great opportunity as well and learning from our big brothers in the world. We have pallets in all the countries. This is our core business. When we establish this then we start moving to other ones and then we have RPCs in Mexico servicing the produce sector and we are waiting to launch RPCs in Brazil with Wal-Mart.

We have IBCs serving for raw materials and finished pre-packed products and the chemical sector in Brazil and we are starting out the operation in Mexico. We have also in Brazil the Auto industry with FLCs and KLTs where I think Kevin will talk a little bit more about these products and services. So here are the opportunities to keep on growing.

Our pallet stock by country is not just a matter of growing and adding pallets and adding equipment, it's very important for us that this growth in stock is linked to asset productivity. It's not just to add and add and add. We are very concerned in Latin America about having asset productivity and we have a very complex situation in Latin America.

All of our countries are different in pallet standards. The industry decided to have different standards. They don't talk to each other, so Argentina didn't talk to Brazil to establish a pallet standard. When we got here they already had a pallet standard so that makes it a little bit complex for us to keep asset productivity as high as we want. We're doing a good job as we can see in the sales growth by country.

You can see this in dollar terms, constant dollars, you can see we are always upwards and that's the right way to go. Most of the cases I would say we have doubled our growth in respect to the GDP growth rate. This is something that we have been capable of maintaining in most of the years, outside of last year which globally was very difficult, we weren't in the double digit growth. We were back in the early months of this year.

There is something that had to happen in order for all these to be capitalized and we divided this into the global and the economic factors. In the global sector, we have this situation that they are all the concentrations we were having. Continued strong growth with exports.

We have something here, we have to continue expanding our presence in Latin America. The penetration and I talk about this, the penetration of all the big players, manufacturers and distributors, its' key for us and it's key in our relationship around the globe. It is key to the relationship that we have established with Wal-Mart and P&G and Unilever in some other places.

So we have to keep a link to them and continue growing, that's the global piece. Locally economic development we have been increasing automation and socio-education of the supply chain. I was talking about how the political environment affects us and this is key. The political environment when it's stable and you know this will attract direct investment. So when you have direct investment you can continue to grow. You can continue to fuel the eco9nomy and then you have that retail business is getting more sophisticated.

As they are getting more sophisticated they need better pallets and they need pallets. That is one of the factors that is actually important for us. The increase in retail distribution concentration - we're living this in the region and I talk about the speed at which this is happening.

CHEP has to maintain a very close relationship with these guys. We have to develop advocacy programs and we have been doing this. I talked about our relationship with WalMart in Central America. These joint efforts are very, very important for us. But as I mentioned this last factor, the political imbalance I was mentioning, it is key for us that direct investment continues that stability is there so that we can expand into Central America.

That is what is driving Wal-Mart for example to invest in Central America and then partnership with them.

Growth in region - somehow we have mentioned this. Some of these basics for our continued profitable growth in Latin America. Target the high growth segments with most to gain from palletisation and pooling. We have to focus on that and that's why we are saying we are not ready to go into some countries. We will go into Uruguay even though they don't have the full characteristics that we were talking about, that we needed that to serve.

Seek attractive geographies, we are talking about Central America. How we are going into Central America and why and what should be next and next should be Colombia and Peru given the situation in the retail industry. We have to actively leverage our strong global and regional relationships with manufacturers and retailers to tap into these geographies. It is extremely important, once we establish a new presence in any country or sector, we have to follow these rules.

Aggressively pursue growth opportunities and keep it alive before any serious competition arises. We have competitors, not as big as in other countries and we have to protect our share there. That's through better service and availability. We have to maintain the pace and growth in infrastructure and human capital aligned to the overall business growth. We have made some mistakes sometimes of growing faster the business than we grew the infrastructure and then we get trapped there with some problems of service. We have learned this.

It is highly important to maintain a strong and sustainable relationship with the retail industry, mostly when it is becoming extremely concentrated in a few players. So it's very important that we maintain this relationship with Carrefour, with Wal-Mart with Pao de Acucar with the other Chilean groups.

We have to leverage CHEP's logistic capabilities to bring service excellence and assist to develop the local practices. We are, we can enable the industry to gwot5. We have seen this in Mexico and we have seen this in Chile and we are sure we are going to see this in Central America.

We have to closely monitor and rapidly rise to any change in international trade regulations. This area and field is very active and we have to be on top of that because exports are very relevant for Latin America. We depend a lot on exports between the countries including the United States and also all these Free Trade Agreements are being signed, we have to be on top of that. One of the things that is very, very important that we have learned, is never relax on asset control.

Most of our people in Latin America work in asset control, it's very important. I hope this brief talk about Latin America and the opportunities was of interest to you. I will wait for some questions from you. I think I'll have some or a lot of questions from what I have talked about. Thank you very much. Gracias.

Now Mike Dimond is going to take us to Canada. A different story, more mature.

Mike Dimond - ***CHEP Canada - President***

Me or the business?

Arturo Cabrera - *CHEP Latin America - President*

Both.

Mike Dimond - *CHEP Canada - President*

Thanks, Arturo.

Arturo Cabrera - *CHEP Latin America - President*

Okay.

Mike Dimond - *CHEP Canada - President*

Morning all, I am very pleased to have the opportunity of presenting the CHEP Canada story to you. I have been president of CHEP Canada for 22 of my 27 years, and it's been quite an experience. Prior to that I was corporate controller of two divisions of Campbell Soup and prior to that is ancient history, and who cares.

A brief snapshot of the Canadian business. We've been in business since 1979, so 31 years. We have a very strong and stable management team that averages 18 years seniority. We've got about 500 employees from coast to coast both hourly and salary. In addition to our traditional business of moving pallets domestically, we facilitate over 15 million cross border moves with CHEP USA and Mexico.

Most of our pallets that are repaired are repaired in-house, about 80% and the remainder with third parties and we have a proven track record of both growth and profitability. The products we provide to the market place, the number one product is our Canadian 48x40 hardwood stringer or bearer pallet. We also provide the USA block pallet for shipments to the US and to Mexico as well as some domestic activity.

We have a 48x20 half pallet and I'll talk more about this later on, but this is mainly a merchandising pallet that the retail community is enjoying quite a bit. We have a small IBC business moving products within the Americas.

Our customer list is quite broad, you will notice most of the names on here are the same ones you saw two days ago with CHEP USA. There are a few different ones; Bacardi for one. In Canada liquor, wine, alcoholic spirits are moved across the country through Government liquor controls. All of the control boards work with our program. So Bacardi distributes all the products across Canada on CHEP pallets as do companies like, if you are a drinker, you'll recognise these names, Seagram's, Shanley's, Hiram Walker, products like Canadian Club are distributed across Canada on CHEP pallets.

The Irving logo up here. Irving is one of our top five accounts a very interesting company in Eastern Canada. One of their products is frozen French fries. They distribute frozen French fries to the Wendy's Restaurant chain in both the US and Canada. They're heavily involved in paper and paper production. Corrugate, tissues, towelling, diapers and they distribute these products to both the US and Canada.

Mastronardi produce, the one in the bottom corner here. Mastronardi is Canada's largest greenhouse grower and they produce products like tomatoes and cucumbers 12 months of the year and they supply the Northern US states as well as Canada.

So how do we this? We do it through a network of nine CHEP operated service centers. These are run by CHEP personnel. We have 12 third party facilities and these are primarily in small locations where it's not economic or justifiable to put a supervisory or a management team in place.

We have two pallet-wash facilities, one in Vancouver and one in Toronto. We run three TPM sites for Wal-Mart, as a matter of fact we control all the palletized activity for WalMart in Canada and roughly 85% to 90% of everything that goes into Wal-Mart in Canada is on a CHEP pallet. The remainder is normally on a white pallet and that would be like fresh produce from South America and the United States. We have some seasonal storage and cross-docking facilities.

The major locations where we have our CHEP operated facilities are in the major cities of Vancouver, Edmonton, Calgary, and Winnipeg. We have two in Toronto, two in Montreal and one in Moncton, New Brunswick which is on the Atlantic Coast.

Where do we do business? Well 62% of our business is food and grocery, 25% is what we call durable goods. Durable goods is sort of a catchall and this includes things like automotive aftermarket parts, sporting goods, whitegoods, tools for do-it-yourselfers and this type of thing. 90% is beverage and 4% is produce.

If you look at our penetration, in the food and grocery sector we are about 80% penetrated, which means about 80% of all the food and grocery is on a CHEP pallet. In the durable goods area we are about 95% penetrated and these are basically merchandise that is going into your big box stores. It's going into your Home Depot, it's going into your Costco, your Wal-Mart and a company called Canadian Tyre and I'll address that later on in the presentation.

Beverages we've got about 50% market share. The big player we do not have is Coca-Cola and we are in discussions with Coke right now and hopefully we can bring that along. Produce is only 30%, but you have to bear in mind that most of the produce consumed in Canada is grown elsewhere. We have three good months of the year, July, August, September the rest of the time we're importing produce from all over the world.

So the produce that we do have is mainly with the big players, the ones we don't have is with the mom and pops, the small farming operations and we don't really want to be there anyway.

Looking at our revenue growth. We've had solid year-on-year growth compound annual growth rate of about 8%. As you can see from the chart we managed to struggle through the last couple of years with the economic turmoil, so overall not a bad result.

Competition, we've always had strong competition in Canada and that came from the Canadian pallet Council or the CPC. The CPC was formed in 1975 as a spin-off of the Grocery Products and Manufacturing Association. So at one point they 100% market share. The way their program works it's a 1for 1 exchange program with pallet ownership.

So the way it works theoretically is a shipper ships a good quality of pallet to receiver and he gets a good quality of pallet in return. If he damages, he repairs it, if he loses it he replaces it. The real world doesn't work that way. People short change the system and as a result you wind up with imbalances.

You wind up with degradation of the pool and as a result they've lost a fair amount of their membership. They've now got about 15% penetration. Basically all of our new business comes from the CPC membership. In the last 20 years we have not lost a customer back to the CPC. So they're having a bit of a struggle right now.

iGPS apparently they are going to launch a business in Canada later on this year. There are some iGPS pallets in Canada, mainly stray pallets. You find them in places like garden centers, in retail displays where they shouldn't be, not earning revenue but they are up there to a certain degree.

Recently as of last week as a matter of fact, the Canadian Government has announced that there is a total ban on decabromine, which is the fire retardant in the iGPS pallets and all consume products. So that's going to sort of put a damper on what they are trying to do in Canada.

PECO there is basically no activity. There is one customer that I'm aware of in Vancouver that is importing PECO pallets into Canada for export back to the US again. So there is virtually no activity with PECO in Canada.

So the growth strategy going forward? Our core business we intend to expand upon that. The non-alcoholic beverages, as I mentioned the Coca Cola so we're very hopeful that eventually we'll get the Coke account. Domestic wine, as we mentioned earlier we have most of the liquor business in Canada. We don't have the wine business so there's an opportunity for domestic wine.

A lot of people are quite surprised that we have a wine business in Canada but it's not up to the standards of Australian wine, mind you, but we're getting there. There's a large wine opportunity in the Niagara Falls area and one in the Okanagan Valley in British Columbia, so we're going to pursue that this year. Then continuing growth in the food and grocery sector.

The modular pallet that I mentioned earlier the half pallet - we're having some interesting success with that. We designed that pallet in co-operation with one of the major retailers in Canada who wanted end-of-aisle displays. Their aisles were 60 inches wide so we came up with a a48x 20 pallet so you could have three end-of aisle-pallet.

Initially nobody else wanted it, but in the last year or two we've had a real surge of this. As a matter of fact last week we actually ran out of half pallets, we're building them as fast as we can right now. It's only 5% of our business but it is growing and virtually all of our major customers are using some half pallets for distributing their product to retail. The retailers love it, the manufacturers not so much because their automated equipment does not facilitate the loading of half pallets yet. But we think there's a good opportunity for half pallets going forward and we are the only supplier of that pallet in Canada.

Looking at where we're going with the business? We need to develop some verticals that are going to help us with our existing customer base to align ourselves more strongly with our existing customers. One of these is Canadian Tire. I mentioned Canadian Tire earlier. Canadian Tire, the name is very misleading but it's Canada's largest non-grocery retailer.

There's a Canadian Tire store virtually in every town and community in Canada. They sell everything except clothing and food and grocery. So if you want anything, if you are a farmer and you want a tank, for whatever, they can get it for you. It's a very interesting company.

Right now they distribute all of their products across Canada in a plastic tote. So all the shipments from the distribution center to retail are in these plastic containers. There's no control mechanism in place. There's misuse, there's re-use, there's significant losses. So what we have put together with Canadian Tire is a program whereby we are going to RFID tag their containers, track them going outbound, track them coming inbound.

Generate cycle time reports and so on and once we can prove to them that we can do what we say we can do, the intention is to buy the entire inventory of about 400,000 containers and charge the retail stores for the misuse and re-use of the containers. So it's an interesting opportunity.

The trial started a week and a half ago and right now it's on track for success. The interesting thing is here that a number of retailers in Canada do this very same thing with the plastic container or a plastic tote or whatever, with virtually no control over the containers. So if we can make this work for Canadian Tire, and we can, there's good opportunities with other retailers.

Plastic returnable containers, and by this I don't mean the food and vegetable container that maybe Arturo talked about. We're in discussions right now with Canada's fastest growing food service company. They currently distribute all their products in a corrugated box.

What we're proposing is that we provide them with a plastic container that is closable, sealable, that we will track, we will trace, we will sanitize and make it ready for re use. This program will displace about 10 million corrugated boxes immediately. So from an environmental, from a green perspective, their management is very keen about this, as are we. It's been an interesting opportunity. I can't give the name of the company yet because we are not far enough along. But right now we're trialling the container in a number of their locations.

Automotive, about 18% of all the vehicle and light truck manufacturing in North America is done in Canada. So we think there's a good opportunity for automotive containers and Kevin Shuba will touch on that in a few minutes.

So basically where are we in summary? We have a strong position in the market place. We have a very stable and robust business and moving forward the next stage really is coming from new initiatives and new verticals with our customers and distributors.

So thank you very much, I will look forward to taking any questions you may have later on. Now, Karen Hempel.

Karen Hempel - ***CHEP USA - Senior VP, Sales & Marketing***

Thanks, Mike. Good morning, it's been a great couple of days for me, hopefully for you as well. I've had a lot of fun talking to you, getting to know you and I've had a tonne of question on the SME strategy, surprise, surprise. I feel like we've trying to keep a secret from your guys. We really haven't.

We're going to talk about it a lot in detail. I know I have spoken to a lot of you individually over the last couple of days and anyway, it's something we're really, really excited about and we have a great strategy and I'm excited to share it with you.

But I'd like to start today recapping the key points from the presentation on Wednesday and the re-focus and the reorganisation of the sales organisation. So first, we're in an enviable market position as we enter FY11 and re-ignite our sales growth. Investment in the quality of the pallet pool has paid off. It's resulted in our customer base telling us that they trust us to deliver. We're hearing that on a regular basis now so we're really excited about the.

Our new structure enables our sales reps to be more focused, more responsive on our customer's strategic requirements and not on the issue resolution and the day-to-day handling of the accounts. So that now is being handled by our new quality customer experience team.

We've established a world class sales leadership team and leveraging deep and international CHEP knowledge combined with fresh outside perspectives leading the restructured team that we've put in place. Most importantly I will tell you and what I am very, very proud of is that we've stabilized the business and simultaneously focused on the retention of large customers and new sales velocity.

At the same time we added resources focused on new business development and sales productivity and I'm proud to say we've delivered that. Our new business development team won, on average, more than one new account per day, which delivered $62 million in annualized new revenue in FY10. We had 750 lane expansions signed up over 85 new retailers, all in FY10.

Then in addition, as I mentioned on Wednesday our total competitive win backs have exceeded 3.1 million issues and at the same time we improved our value proposition which is now more complete and compelling with new services and new solutions. So we're really, really proud of the momentum that we have going into FY11.

So let's talk about the growth strategy. As I mentioned on Wednesday growth strategy is based on three primary growth streams. So today I'm going to spend my time really discussing why we believe the small to medium enterprise market, which we will refer to as SME is so attractive and what our plans are to drive even deeper penetration in this market than we currently have today.

So calling on our experience and success in global markets as well as in the US and we're confident we can capitalize on the significant growth opportunities represented by converting white-wood and particularly with small to medium enterprises. We will continue to leverage our track record of success in the fast moving consumer goods space and in the excellent customer relationships that we've established over the years.

So let's get into some detail. As was referenced in our recent earnings' announcement our analysis indicates the size of the US market as either using CHEP or as immediately addressable with our current pooled 48 x48 pallet is about US$2.3 billion CHEP today represents $1.1. billion of that market while other pooling competitors combined comprise less than 10%.

So the remainder is made up of largely non-pooled white-wood mostly in the fast moving consumer goods and food service channels. So you guys saw yesterday in the customer visits at the distribution center I got a lot of questions throughout the day yesterday and last night about the amount of white-wood that you saw there.

The customer I think quoted it as 25%. I'll tell you what, I was excited because to me that's dollar signs and that's exactly what we're going to talk about today because there is a lot of opportunity and that's really what the SME market represents to us. So there's a huge, tremendous opportunity for us to convert that. I'm going to tell you how we're going to that and why right now the time is right.

But CHEP is uniquely positioned and it serves this segment because of the scale and the depth of our network and it's this scale that really gives us the cost efficiencies that our competitors can't match. I'm going to really talk a lot about that throughout the presentation today.

So let's first start by defining the SME segment. SME is a really large sector of the US economy. It represents a vast array of the industries and products. So for our purposes we're going to define SME from small businesses with $10 million in annual revenues all the way to the upper end of the SME market which could be about $1 billion in total revenue.

To put this in to a CHEP perspective, I know you guys all understand when we say issues, what that means, but it's previously been referenced as customers that tend to be less than 100,000 issues annually. The sector today is serviced by a vast network of white wood recyclers which is just a highly fragmented market of over 3,000 firms operating locally out of typically locally out of one location.

They're limited primarily by fuel costs to service array defined by deliveries in less than a 200 mile radius. So these SME businesses today they are operating in a world that's marked by incredible cost pressure and very, very high customer demands. They also get strong from their customers to meet their demands, such as shipping preferences and meeting green initiatives which are really, really important to major retailers.

So all of that, what that really sums up then is it creates a receptivity to new processes and techniques. As I mentioned we're uniquely positioned to capitalize on that. So why are we really focusing on the SME market? So like I said we're uniquely positioned here and the main reason is it takes many, many large customers to drive the network to sustainable efficiency which then enables the expansion into smaller volume accounts.

I'm going to explain what that means and let me just give you a little bit of an education on that and what we mean by that because I know we've said it a lot over the last couple of days. So if you were a new entrant to the pallet pooling market you would really first start to try to build your business with large manufacturers producing high volume in concentrated locations, which is exactly what we did.

Then in addition your focus would need to be on a concentrated group of major retailers because if your pallets were to get distributed widely the infrastructure to cost effectively manage the utilization of your assets or retrieve them in a true pooling fashion has really not yet been achieved.

So it's only when you get critical mass that it really makes sense then to build the expensive service center network that defines one of our competitive advantages. Tom O Riordan mentioned on Wednesday that CHEP has 351 service centers across the US and the need for multiple service centers and many retailers is vital when you're addressing the SME sector.

Because it's many small customers that are typically regionally based with small volume shipments to many locations. So for example you need many shipping points, or i.e. service centers throughout your network to really deliver pallets to small and medium enterprises costs effectively. Because otherwise the cost of transportation alone would be very, very cost prohibitive.

So you also need many retailers in your network so that you can recover your assets and get them back in the pool. So that's basically how pallet pooling works. Our pooling competitors are still in the mode of building their networks and they are a very long way from having the scale that would make the SME segment efficient and profitable for them. One of our competitors has chosen not to have a network at all.

So retailer advocacy is also a distinct advantage for us in this segment. So when a major retailer as an example Wal-Mart advocates for manufacturers to ship on CHEP the SME manufacturer will often become a CHEP customer just because of their desire to build scale with a major retailer.

Then once that SME has become a CHEP customer our large base of retailers becomes once again an advantage for us because we can then match our vast base of retailers with the other customers that the SME sells to and then convert those links to CHEP as well. So without this network of vast retailers and service centers you cannot accommodate the smaller volumes of SME customers.

Our experience has shown that margin performance in this segment is favourable. Our experience in the US as well as in Australia and in Europe. So it really pays to shift the mix to a higher percentage of SMEs in our customer portfolio. Part of the reason for that is we are able to sign and roll out smaller customers on the CHEP program much faster which reduces the resource and expense associated with servicing larger more complex customers.

We do that in a couple of ways. One is with our inside sales team. You know a lot of the SMEs with the retailer advocacy we can really talk to them and sell them on the benefits of the CHEP program through our inside sales center. We also will support them through inside accounts help team.

So rather than having to have a lot of field resources and dedicated resources, we can use our scale and really manage them more cost effectively for us. Then as well as we have dedicated implantation teams that can really help us convert them quickly once they get onto the CHEP program.

We estimate currently there's an incremental $500 million plus opportunity that's immediately addressable. When I say immediately addressable I mean today. With using our 48 x 40 pooled pallet offering. So just one example where there's significant incremental opportunity for us in the SME segment is in the private label manufacturing area.

So these numbers there's a quote on here at the bottom, from the Private Label Manufacturers Association. They talk about over the past five years annual private label sales have increased by 34% in supermarkets and by 45% in drug stores. Since the retailer has an extremely high degree of control in the relationship with the private label manufacturer our well established retailer relationships once again become a tremendous advantage for us.

Currently in the US today we're growing at a double digit rate in the SME segment and we know that our ability to provide consistent service to our customers via our efficient network and significant retailer relationships have been major factors in that.

Let's talk a little bit about sales revenue by customer size. So as we market 20 year in the US market we've seen a very natural evolution of the business that we've had, which is reminiscent of the evolutionary cycles that we saw in the CHEP businesses in Europe and Australia.

So as you see in this chart our businesses in Australia and Europe have a much higher percentage of their revenues being driven by SMEs which is really made possible by the scale that they built early in their business with large manufacturers and an extensive retailer base, which is exactly what we've done in the US.

So CHEP in the US has that very large customer base. It comprises approximately 3,1000 active manufacturers and 1,700 active retailers. So they have a wide range of customer's sizes from the largest FMCG customers to small local and regional customers. Our portfolio includes, like we spoke about on Wednesday, large multinational companies such as Nestle, P&G and Unilever.

So if you look at our revenue max and Scott mentioned this on Wednesday, each of our top 20 customers provides in excess of $12 million in revenue. Our top 100 customers each contribute revenue in excess of $2 million. So the biggest growth opportunity for us lies in the SME segment, which predominantly uses a white-wood platform and currently make up only about 37% of our revenues.

As I mentioned previously we're in this sector at double digit rates and we estimate there to be an additional $500 million plus in opportunity. Our expectation is that we're going to get a very significant piece of that opportunity. So by changing the mix of our customers based on size we can really diversify and insulate ourselves from the dependence on very large accounts.

So let's talk about how we'll grow this segment. So the plan is not really complex, in fact it's quite simple, but it's well grounded in research and experience. We're importing best practices from other regions and streamlining our processes and addressing all the systems necessary to improve sales velocity.

We believe sales productivity and sales efficiency both matter so we're adding resources. But we're also looking to make our existing people more productive and the processes much, much more efficient.

Retailer advocacy has been a huge benefit CHEP and we have many, many accounts that converted a specific lane based on retailer advocacy. So for example a lane being shipped to Sam's Club, where Sam's Club would have requested the manufacturer shop on CHEP. WE can then run a CHEP match what that means to us, because you guys probably don't' know what a CHEP match is but it's where we take our list of retailers and we take the list of the manufacturers' customer base and we match it and say, which retailers do we have that are on the CHEP program that are also their customers.

So we can take that and them match it and we can look at that and say, okay here is where it would be cost effective for these manufacturers to then ship on CHEP to those additional retailers as well.

Next really working in the SME segment it puts special demands on the organisation to handle volumes of information such as leads and proposals. So we have streamlined and automated our processes to handle these demands so again taken some of the costs out of handling these customers.

Then we also listened to feedback from small to medium enterprises that we have in our portfolio today around simplifying our processes, around credit approvals, contracts, pricing and we have well trained staff to support them during implementation, which is a really, really important piece that we've learned from experience. So we know for a fact that accounts that are well implemented, they convert more of their shipments to CHEP faster and they experience fewer pallet losses and enjoy a much better customer experience. A better experience begets loyalty which then provides the foundation for ever more growth within this space.

So let me just walk through an example of how we sell to an SME customer. I got a lot of questions about this over the last couple of days. But if you look at what their challenges are. An SME customer has tremendous pressure from the retailers that are their customers to help drive their initiatives and especially so with the major retailers.

Again like I said they all are wanting to drive scale with the major retailers, but their influence to streamline their operations and support green initiatives and it's very difficult for SMEs to have a major impact on green initiatives on their own. However they get a lot of influence in credit quite frankly from customers such as Wal-Mart to support their efforts in reducing environmental waste.

So when you look at, you know, Wal-Mart influencing an SME to ship on CHEP is one way that Wal-Mart is really, really committed to reducing waste. One of their huge, huge initiatives so it goes a very, very long way with them. Then SME customers they place a significant amount of importance on winning volume with major retailers because that's really what helps them drive scale within their business.

They want to comply with the retailer initiatives because that's going to help them increase their revenues. But they also want to do as much as possible to help achieve sustainability goals.

So with respect to the approach, and this is where retailer advocacy is really a distinct advantage for CHEP. So the way it really works is a major retailer would request the small to medium enterprise to ship on CHEP. So our inside sales team will establish contact with the SME and either by the SME calling CHEP or the retailer requesting us to contact the SME. It happens both ways.

So our inside sales team will then introduce the small to medium enterprise to all of the benefits of the CHEP program and then they either work with the SME over the phone or they'll send the lead to our new business development team and sales interaction is required.

Typically the SME is paying roughly $6.00 top $90.00 for a white-wood pallet and depending on the size of their business they could have two to three people managing the logistics of a white-wood program. So the CHEP program provides them with a higher quality solution with our 48 x 49 block pallet which is really important because it helps them reduce product damage.

It also lowers their administration costs because by using portfolio as Carey Sealy presented on Wednesday, we can lower the cost to the SME through the cost of the white wood pallet versus the 48 x 40 pallet as well as the administration costs by 10% to 20%.

Then the SME also has the benefit of a much, much stronger relationship with the retailer. So then once the SME is sold on the benefits of the CHEP program we can then, like I said when I talked about the CHEP match, reference our list of 1,700 active retailers with their customer list and show them the cost savings and benefits of shipping on CHEP as well to those customers of theirs that are also a match for both of us.

So the key here is really conversion and roll out being realized quickly. Which keeps our costs of sale low and our expansive network and operating efficiencies really help keep the costs to serve low. Execution is key we are set up to maximize the customers' experience here.

So, in summary, we refocused, re-energized our sales team with world class sales leadership. We have a growth strategy that will ensure that we retain our world class customers, expand in our existing industry verticals and forge new territory and SME segments. We have a significant opportunity for profitable growth in the small to medium enterprise segment.

Other major poolers aren't targeting this sector, lacking the resources and scale to service many small accounts. So as a result they're primarily targeting our existing customer base, a base, by the way, which is renewing their contracts in record numbers. The bottom line is our competitors are trying to get scale, we have it.

We've seen success with SMEs in other regions and are driving double digit growth in this segment today in the US. We've added resources, we will increase velocity in this segment which is going to capitalize on the significant opportunity in front of us. Our experience proves there are slightly better margins for us in this sector, partly due to the shorter sales cycle and the cost efficiencies drive by the size and scale of our network and our ability to be able to use more of our inside resources rather than field resources.

We have a very, very positive momentum coming into fiscal year 11, which I highlighted on Wednesday. There is still a lot of work to be done. I will tell you I have never felt better about an organisation's prospects for success at any time during my 25 year career. I am excited. My team is excited we are ready to just go and get this and really go and close some business. So thank you.

With that I'm going to turn it back to Jim for Q&A.

Jim Ritchie - ***CHEP Americas - Group President***

We'll move into a brief Q&A session at this point and just to kind of recap. As you heard from Arturo, in Latin America we're really focusing on geographic expansion, leveraging the existing relationships as well as expansion along the product line sides.

Certainly in Canada you heard from Mike and we talked about the deep presence that we have in most of the major industries with beverage being one of those targets. We're only 505 penetrated now with some pretty aggressive moves. Some real exciting new product expansions that will continue to drive growth which is really what's required when you've got that level of presence in some of those markets.

There's some very, very exciting things going on in Canada today. Then of course Karen talking about SME and how we're going after that market. So let us open it up now for questions.

QUESTION AND ANSWER

Russell Gill - ***Macquarie - Analyst***

Just a couple of questions, firstly on Latin America. Arturo, perhaps you could just talk a little bit about we heard in the Canadian business how there's a huge amount of trans-shipment through to the US. How does that sort of figure out for the Mexican business?

So, you know, if you look at your revenue base of $100 million, how much is domestic versus going into the US? Then also for both Arturo and Mike how do we think about pallet turns and operating margins relative to the US business?

Arturo Cabrera - ***CHEP Latin America - President***

Fine, in terms of flows from Mexico to the United States I can tell you in the number of pallets we're moving almost 3 million pallets from Mexico to the United states every year.

Russell Gill - ***Macquarie - Analyst***

Okay and then in terms of the turns and the margins relative to the US?

Arturo Cabrera - ***CHEP Latin America - President***

Turns in Mexico?

Russell Gill - ***Macquarie - Analyst***

Well pallet turns for Latin America in general. Does it differ between the territories?

Arturo Cabrera - ***CHEP Latin America - President***

The number is higher we probably were turning each pallet about four or five times a year.

Jim Ritchie - ***CHEP Americas - Group President***

Mike, what were your returns in Canada?

Mike Dimond - ***CHEP Canada - President***

It's very similar to the US.

Jim Ritchie - ***CHEP Americas - Group President***

Similar, so we're 3.5 right around 3.5. I think in the margin, from a margin stand point what you're going to see if there is any difference is it's a little, Russell, it's a little hard to compare because we're making the investments in USA on the quality side with Better Everyday. A lot of those investments are specific around the USA.

So I think what's fair to say is in Canada and in Latin America margins have remained consistent. Even as you saw on the growth charts in Canada with the Global Financial Crisis, we've still been able to continue to growth in both of those markets fairly robustly. So we're pleased about that and the margins have certainly been holding.

Russell Gill - ***Macquarie - Analyst***

But I mean on a normalized basis for the US relative to Latin America, which is the more profitable market on the normalized basis?

Jim Ritchie - ***CHEP Americas - Group President***

Well I don't' know if I'd comment on which is the more profitable market on a normalized basis. Because I think in the USA you have seen profits kind of gone through some swings. But I think you would - what we've talked about broadly is that the business in the Americas is in the mid-20s and I think that when we normalize that business I think we're pretty consistent and confident that as a Group and as a region we will be in the mid-20s the USA included. So broadly speaking we'd be in line.

Mike Dimond - ***CHEP Canada - President***

What I can say on the cross-border activity it is a premium service and we charge a premium rate for it so the margin on the cross-border activity is a bit better than the standard business.

Russell Gill - ***Macquarie - Analyst***

Thanks. Then Karen, just on the SME side. If you look at the sales cycle, I think you said it's a shorter sales cycle period relative to the large customers? Has that sales cycle period really shrunk in the last sort of 12 months for those SME customers?

Karen Hempel - ***CHEP USA - Senior VP, Sales & Marketing***

Yes, and we're just we've added a lot of resources like we mentioned. The other thing is that we've just been through the process of streamlining our processes, our contracts, our pricing proposals. The support that we give through marketing as well as really looking at how we use our inside sales team to start to begin the sales cycle just over the phone.

With selling them on the benefits of the CHEP program, doing some of the initial legwork for us and then assigning the field resource only if and when it's necessary. So that's work that we've just really begun. But we've already seen a condensed sales cycle. We had a condensed sales cycle with SMEs before, as you can imagine when you've got a smaller customer.

The cost benefits for them are really great, you know, especially if you can match a large percentage of your retailer base. So they like it because it helps them make their customers happy, which is going to help them drive their revenue. Like I said the other thing that's really a driver for them is being able to drive scale with the major retailers. So that's a huge benefit for them.

So when they're looking at it, they're looking at it as, you know, a very small business rather than having to do an evaluation that you would see like if you were trying to sell an account like Nestle for example. That can take many, many, many months, you know, to really work through all of the process. Quite frankly the bureaucracy, a lot of these small to medium enterprises businesses you know you've got the owner of the company who's the CEO and you can quickly, quickly get through and get to the decision-makers.

You don't have a whole lot of other influencers in it, so that also helps to condense the sales cycle. Then like I said our cost to serve them is much less because we can do a lot of things through inside resources with account help. Also just being able to - our implementation teams that are dedicated to small to medium enterprises being able to get them on the program very, very quickly.

So there's a lot of reasons and all of those things combined, like I said really help us drive better margin in this area and you know, getting the dollars quicker is always a good thing for a sales person.

Russell Gill - ***Macquarie - Analyst***

Would you expect you'd have to bulk up your sales force as you get more momentum?

Karen Hempel - ***CHEP USA - Senior VP, Sales & Marketing***

Well we have added some resources specifically focused on SMEs. Like I said, yesterday, when I see the white-wood, I mean to me those are dollar signs. That's a great opportunity for us. We just, frankly haven't had the resources in the past to really focus on that space.

So we've gotten very, very focused and very deliberate in our actions if you will from a sales perspective. I mentioned on Wednesday, one of the things that I did initially it was very obvious to me when I went out and started talking to customers. You know I would, for example, have an account rep who had very, very large account, Unilever for example.

That account rep also had 30 other accounts. Well guess what, you know, Unilever was driving 98% of his revenue and he was doing the right thing. He was following the money and really taking care of that account. But he didn't have time to go and focus on the other accounts, it was much more a reactive mode.

So when I talked about you are really streamlining the process as well as the way that we approach them, having then regional accounts and territory reps. So the territory reps they own the territory now. So they have everything in that territory. Because we have a lot of business with SMEs today where that account may have been signed up because Wal-Mart advocated and said, hey we'd like you guys to ship on CHEP.

So they shipped on CHEP on that one lane, but no one has ever gone back and really looked at it and said how do we then go and look at all these other accounts. So for - Vons would be a great example of that. You know when you look at that, I talked with my sales team yesterday afternoon. I said, okay let's go and figure out, you know, who all these accounts are especially in the produce area that are still shipping on white-wood? Figure out are those accounts for us as well, make that match and then go out and try and figure out how we can convert those.

So it's really a lot of it is, you know, much, much more laser focused on this market.

Jim Ritchie - ***CHEP Americas - Group President***

Maybe to say it another way also, Russell, is that Karen and I have talked a lot about it. We think good sales people pay for themselves. You know, so in essence good sales people are free. So there's always a tipping point the opposite way that if you over saturate with sales people then there's a level of diminishing return. But we don't think we're anywhere near that right now.

So as we continue to leverage it and get the success that we expect we do think we will add OpEx but it'll be offset by additional growth above where we have committed to Tom. (Laughs) Yes, Cameron?

Unidentified Participant

Jim, just a question, more a clarification. I think when you started this morning you said that the SME sector had higher margins, they were more loyal but had a higher cost to serve? Yet Karen is talking about a lower cost to serve. Like so can we just delve into that?

Jim Ritchie - ***CHEP Americas - Group President***

Yes, let me provide a clarification. When I said that, Cameron, I said traditionally, regardless of industry the SME segment will carry a higher margin, greater loyalty. However the offset to that is it typically has a higher cost to serve, regardless of any industry and studies will prove that out. There's been a number of independent studies.

What makes us unique and what Karen is referencing is that with the network that we've got and the level of density that we have not only do we have the opportunity to go after that SME market, higher margin, greater loyalty, but to then change the game on the cost to serve because of the size of our network and the tipping point, which really allows us to serve the SME market quite effectively, compared to any of our competitors.

Even compared to traditionally what you see with SME attacks in other industries when people try to grow.

Unidentified Participant

Right, so your higher margin is coming from your advantages as a lower cost to serve as opposed to the average?

Jim Ritchie - ***CHEP Americas - Group President***

I would probably clarify. When we look at lower cost to serve, what we'll say is that rather than distinguish that an SME is a lower cost to serve than a P&G right? It's really not but it's a lower cost to serve than what anybody else would see in the industry and also traditionally what industry norms would be.

Unidentified Participant

Yeah.

Jim Ritchie - ***CHEP Americas - Group President***

So I would maybe classify that as a more effective cost to serve than what you would traditionally see, if that helps?

Unidentified Participant

Yeah, thanks.

Unidentified Participant

Just taking up that point a bit more, Karen, you mentioned that $6.00 to $9.00 is the cost for a white-wood pallet. That seems high. It also seems that two to three people to manage a white-wood pool inside an SME that is cost focused also seems high.

Can you comment on that please?

Karen Hempel - ***CHEP USA - Senior VP, Sales & Marketing***

Yes so typically I mean SMEs they don't get like a very large customer that's going to buy millions of pallets is going to get a much better price than that. But typically our indications from the customers that we've talked to and the ones that we have already converted, they are typically paying about $6.00 to $9.00 for a white-wood pallet. For them it's a throwaway investment. You know it leaves their facility they never see it again.

Sometimes they can buy a recycled pallet for a little bit less than that. But it's all supply and demand and so they can't count on it. They are looking for stability as far as their costs go and the variability kills them. So when they look at it, they say, look if I know that I can have a solution that's going to provide me a lower cost than that and it's stable and I know that every time I get a CHEP pallet here's what it's going to cost me.

Rather than maybe sometimes I can get a white-wood pallet that's a recycled pallet for a little bit less than $6.00 or I may pay $6.00 to $9.00 for that white-wood pallet. So typically like I said that's the focus and that's the information that we get from them as far as what's it's cost.

Jim Ritchie - ***CHEP Americas - Group President***

Keep in mind, Anthony, in some cases their customer is a major retailer that's got specific restrictions in terms of the quality of that white-wood pallet. That's why...

Karen Hempel - ***CHEP USA - Senior VP, Sales & Marketing***

Right, they typically have to buy Grade A.

Jim Ritchie - ***CHEP Americas - Group President***

That's right and without, when they lack the buying or purchasing power or the volume then they'll typically be a little bit above market in terms of what they're paying.

Karen Hempel - ***CHEP USA - Senior VP, Sales & Marketing***

Yes, so typically it's a Grade A pallet. Then I forgot the second part of your question. I'm sorry.

Unidentified Participant

Well it was two to three people managing a, you know...

Karen Hempel - ***CHEP USA - Senior VP, Sales & Marketing***

Yeah depending on the size of the customer. So when they for them, you know, just trying to get, source the pallets get them in, it can be two to three people for them just managing the logistics of that. Then getting the pallets out, making sure they've got enough pallets for their - like with produce for example, seasonality is a big driver for them.

But it's really managing and making sure that they have enough pallets coming in. Because they don't have it - the other thing is they'll have to buy a lot in bulk at times because they can't, you know, they don't have a CHEP that they call and say, hey I need a truck load of pallets tomorrow.

Usually the lead time on it is a little bit longer. So it typically is about, it depends on the size of the customer and really, really small end is going to be less than that. But on the larger small to medium enterprises it is usually two to three people.

Unidentified Participant

Just finally on pricing, because variability you mentioned is something that they don't like, but NPD charges from yourselves would increase the level of variability to their cost base?

Karen Hempel - ***CHEP USA - Senior VP, Sales & Marketing***

Well, so we - there's a couple of ways that we address that. One is our typical model has been a variable model. We also have a flat rate model where we can go and we can work with them really look at their customer base, our customer base, match it and say, okay there's where we think their percentage of NPDs would be.

Give them a flat rate pricing based on some parameters that we'd say, okay here's what we think the contingencies are and give them the flat rate pricing that they're looking for. So we can do it either way, it depends on what...

Unidentified Participant

So you take some risk effectively in that?

Karen Hempel - ***CHEP USA - Senior VP, Sales & Marketing***

We will.

Unidentified Participant

Thank you for that. Mike, just a quick question. You've introduced these 48x2os, just your experience is that how well that's gone operationally to adopt a second pallet type into the pool?

Mike Dimond - ***CHEP Canada - President***

Operationally from a CHEP perspective or from...?

Unidentified Participant

Yeah, absolutely.

Mike Dimond - ***CHEP Canada - President***

It's causing some problems because our system is set up for automation, so when you wind up the occasional half pallet being mixed in with a stack of full sized pallets it does cause some problems on the operational lines. You have to extract those pallets and pull them off.

These pallets are handled manually. They are rostered manually, they are repaired manually they are painted separately. So there is an additional cost associated with that. But by the same token, the revenue per issue that we get on a half pallet more than offsets the additional costs.

Unidentified Participant

But no issues around, the pun, around re-balancing hat pool to where they're needed?

Mike Dimond - ***CHEP Canada - President***

there are some relocation issues. But then again within Canada there are a lot of relocation issues. Most of the food and grocery production is in central Canada. So when you're shipping pallets from let's say the Toronto area to the Vancouver market and there's not a whole of opportunities in the Vancouver market to get them back, we're always interested in relocating.

So we're looking at opportunities for example with containerized product coming in from Asia that would be palletized or broken down in the Port of Vancouver and shipped back to the Toronto area and so on. So we're looking for opportunities like that. So relocation is a major factor with both the half and the full sized pallet.

Unidentified Participant

Thank you.

Jim Ritchie - ***CHEP Americas - Group President***

Cameron?

Unidentified Participant

Sorry, can I just follow up on something around the SME sector with the level of turns that you might experience in that space. Yesterday at the site visit we were talking afterwards that you need to pick up a full truckload of 540 pallets at a time. So clearly the scale of what we saw yesterday you would pick up a full truckload much more often than presumably what you would pick up at an SME customer to burn through the 540 pallets to provide a full truckload?

So is that going to cause, you know, you need to change your business model to service that sector more effectively and how are you actually going to do that without altering your cost base?

Jim Ritchie - *CHEP Americas - Group President*

It will affect it on the transport but the only correction I would say there, Cameron, it's going to be more on the delivery side than on the pickup side. Now there is the NPD channel which Anthony was kind of alluding to, which we also see that as a bit opportunity. So there's a Greenfield there for us as we start to get into how do we drive more business to both of those channels which will continue to drive efficiencies.

Any time you start to look at some changes in the business model there will be impact until you continue to drive more efficiencies into it or more scale. So right now, as you saw, our SME channel, I believe, is about 37%. We're going to continue to grow that which will also help us facilitate and manage into that market fairly well.

We're doing it today. So in terms of it being something significantly new, no. The cost base that we have today we think is consistent with what we'll see as we continue to grow into this market. But it is different than what it is for a P&G or a public (inaudible) or what have you.

Unidentified Participant

So do you have a view or an idea of what it might do to your average turns?

Jim Ritchie - *CHEP Americas - Group President*

Well what we've seen so far is that the turns is consistent with what we're seeing in the business today. So we're not seeing anything either up or down on the turns because again it's going into the retailer network. The manufacturers really aren't holding on to it long, okay?

So it's going into that retailer network and then we've both the work being done that we've talked about over the last couple of days, about how do we incent that retailer to bring it back quickly?

Unidentified Participant

You mentioned before that you already have obviously some SME customers today which presumably means that you already have the scale in the network to make that work? Why is it that it's only sort of now that you're really going aggressively after this opportunity? So that's the first question.

The second question is just around the slide with regards to the addressable opportunity. I am just wondering if we could break that down by what -how much of that is the SME segment and how much is other large customers that you don't have. Or can we break it down by fast moving consumer goods versus beverages or other sectors of the market?

Jim Ritchie - *CHEP Americas - Group President*

On the second part, let me take the first part. Karen, if you can help on the second, I cannot because I don't have those numbers off the top of my head. She may but I'd be really, really impressed if she has them off the top of her head. So there's the out that you get.

But in terms of why are we doing this now? Well I think we've been doing it all along is the real answer and that's why we've got a fairly sizeable amount that already exists today. It gives us confidence in the proof of concept in terms of what we can do. When we look at Europe and we look at what's gone in Asia Pac, it really stands out. The first two weeks on the job I was in Europe and really looking at what they were doing and how they were doing it.

Tom was running Europe at the time and they really had made a living after going after that small to medium sized enterprise. That just struck a chord with me as something that as we continued to evolved the business in the USA and certainly throughout the Americas, as an important opportunity for us to really go after.

But keep in mind that the last 12 to 15 months we have been very, very focused on the Better Everyday program, stabilizing the business. Making sure the quality is where we needed it and really rebuilding that level of comfort and trust with the customers. So what we think now is the time to really kind of put our foot firmly on the gas pedal and push it all the way to the floor on the SME side. Now is the time.

The quality is great, our ease of doing business. We've put systems in place that Karen has alluded to in terms of sales velocity and taking processes out so that we can move these customers and bring them on board and implement them faster than we ever have before. So all the foundation is there. Now is the time to really attack the market and go after it. So I think we're kind of taking those steps to make sure we've got that covered.

In terms of the slide I don't know if you have that detail off the top of your head, I do not in terms of how to break that down.

Karen Hempel - ***CHEP USA - Senior VP, Sales & Marketing***

I do. So the $2.3 billion, I mean we talk about the overall opportunity the $9 billion, so let me just address that first. That's made up of other things. When we say $2.3 billion we're talking about our 48 x 40 pooled pallet offering today. Things you saw yesterday at Vons, the nestable pallets that go downstream to their stores those would be things that would be in the greater, the $9 billion market. So there's a lot of opportunity there in that space.

But when you break down the $2.3 billion our estimate is it's about 900 million roughly that is SME of the 2.3. So when you look at the revenues really, that's why we said there's about 500 million that we think is immediately addressable. The reason why we would go after that today is, you know, in - I remain I hate to say it, but just to put it bluntly, I mean we've kind of gotten there by default with the business that we have already so it was really taking a look at it and saying, okay, what do we have here?

Where's our opportunity to grow? In growing in that current offering, here's where the opportunity is. Now how do we resource it and how do we go and get it? Again, you know, the benefit for us is no one else has the scale to do this, we do. It's a huge opportunity for us that we - I mean we should go out and get it all and that's where we're focusing. So we are going to very, very aggressively pursue that.

Unidentified Participant

Sorry, so is the 2.3, is that all FMCG?

Karen Hempel - ***CHEP USA - Senior VP, Sales & Marketing***

It's not all FMCG and I don't have the breakdown level between that and beverage and yeah, but a large percentage of it is FMCG.

Unidentified Participant

Okay, thanks.

Jim Ritchie - ***CHEP Americas - Group President***

We've probably got time for one more? If we've got them all, well the gift of time will come back to you. So the break that's scheduled, James, is for 15 minutes?

Jim Infinger - ***Brambles - Group Senior VP & CIO***

Yes if we could come back at ten fifteen am.

Jim Ritchie - ***CHEP Americas - Group President***

Ten fifteen am, okay we'll be back in at ten fifteen, thank you.

PRESENTATION

Tom Gorman - ***Brambles - CEO***

If everyone could find their seats; we're in the home stretch, as they say, so we'll try to stay on track.

There was one question that I did get at the break that I thought I would share with the group. To my knowledge, the eggs that are outside are safe. I fired one up myself so if I fall over in a few minutes, I take that comment back. They're not safe. But everything should be fine on that front.

We're going to shift gears a little bit, just piecing the three bits of what we've been talking about. Yesterday, clearly, was on our two core businesses in the Americas, so a great discussion on Recall, you got to see a facility which was great. A lot of time on CHEP, as Jim already said, was about Better Everyday, the here and now of running the business and then we wanted to shift the CHEP Americas discussion looking into the future. I think we've done that in the segment this morning.

What we're not going to shift to, it's still the CHEP business, so it's still the pallet pooling business if you will, but it's outside of what Jim and his team are directly focusing on within the CHEP Americas team.

We're going to cover two major initiatives today. We're going to talk about automotive, as you can see from the slide behind me, and then we're also going to talk about LeanLogistics and some of you had the pleasure to meet Dan Dershem last night. You'll hear from Dan.

Then I'll stay up on the stage and then we'll sort of wrap up. I'll moderate the questions and answers for this segment and then I'll close by opening up to broader questions that you may have across the board relative to Brambles and everyone that's in the room is available really to respond to that. Then we're pretty much wrapped up on time, around lunchtime.

So with that, it's a real pleasure of mine to introduce a guy that I think many of you know, but Kevin Shuba. Kevin will do a further introduction himself and Kevin's here really to talk about the automotive opportunities, particularly the automotive opportunities in the Americas.

Kevin Shuba - ***Brambles - Senior VP Customer Development***

Morning, everybody. As Tom mentioned, I am Kevin Shuba and Senior Vice President Customer Development for Brambles and I've been with the organisation for a little over 14 years, so I'm coming up on my 15, so time I'll be looking for my 15 year anniversary. I think I get a plastic pen or something.

I'm here to talk to you today about the automotive sector and something that I personally have a passion for, and I say that not because my boss is an ex Ford guy but the car industry is definitely a fascinating industry. As we mentioned at the earnings announcement, it provides us with some significant opportunities for growth.

Today, what I'm going to do is really talk to you about a couple of things. One is I'll talk to you about CHEP today and what we do in the automotive space today. Then I'll talk about what the value proposition is, so what does it mean, what's the business model look like in regards to returnable containers and what value does it drive for the customer.

We'll talk about the strategic context and what the marketplace looks like currently, then I'll talk about both the domestic and the intercontinental opportunity as it exists and what our go to market strategy's going to be in both of those. Then we'll talk about the advantages that CHEP has.

Before I get started, I'll relate a little story to you. Mike mentioned earlier about a customer of his called Canadian Tyre, and we had a discussion out in the hallway. For those of you who have never been in a Canadian tyre store, it's a unique place and if you ever go to Canada you should stop into one. There's a statement that they say that there's a Canadian tyre store within 14 miles of every Canadian and they tend to run by franchises, but I lived in the state of Michigan for 10 years, not far from Detroit, from the auto capital in North America, and my kids were both hockey players.

We had a tournament over in Windsor Ontario, which is right across the border from Detroit, and one of my kids broke a stick in one of the games so I asked somebody there, I said well where can I go buy a hockey stick for my kid here in the local area. He said go to Canadian Tyres. You kind of give him a look that said why would I go to a tyre store to buy hockey gear, they said no, no, go. That's the best place here to buy them because you get the best prices.

So, typical, I said where is one. They said it's two miles, just right down the road there. So we drove down to the Canadian Tyre down from the rink and you walk in these places and you can buy a water heater, you can buy a toaster, you can get your tyres changed if you want and they have a whole section with hockey equipment. So, as Mike said, it is a very unique retailer and a great success story, but on to automotive.

Automotive today for CHEP. We operate in 18 countries today with plant operations. The key to this business is really to get the domestic business going and then that will enable us to look at the intercontinental flows from there. The core value proposition that we provide is really to help our customers lower supply chain costs through the use of returnable packaging in the automotive supply chain.

The target markets are really these. The first is what we call the vehicle assembly plants where you'll hear them referred to OEMs or original equipment manufacturers. These are some of the names that you see here below. Ford, General Motors, Jaguar. Those are the equipment manufacturers who are actually building the vehicles.

The second is what we call tier one suppliers and these are the major suppliers into these automotive plants. You'll see a couple of them listed here, Lear and Visteon are two of them. These are the ones that will produce major assemblies to ship into the automotive plant. For example, Lear does seating, one of the largest seating manufacturers in the world.

The next target market is what we call heavy equipment manufacturers and these have been people like Caterpillar for example, would be one, that would be in the heavy equipment phase. Also within that would be large truck manufacturers, the trucks that carry not only CHEP pallets but our customers' product. Those large truck manufacturers are also a target market for us.

The interesting thing is that many of the suppliers that ship to both the tier ones and heavy equipment are the same, so you're able to service those customers with that.

Then the last target market is what we would call the aftermarket. This is after market going to retail, people like Canadian Tyre where that product would go, or the distributor network for the automotive companies themselves. They have a distribution network to get their parts from those places to, for example, the Ford dealer.

The unique intellectual property is really what we drive in that we have an understanding of not only the packaging and the packaging that's required, but also of the asset control and the logistics systems that are required to move that product.

The core business that we have really falls into these three buckets. The first one is the actual physical assets. You saw some of these in Arturo's presentation and these are foldable, reusable plastic crates that would be used in the supply chain. So, instead of shipping in a corrugated box, you would use a reusable, foldable crate.

We also work with manufacturers on bespoke packaging, so if they have some unique things that will readily fit into the normal supply chain and within a pooling supply chain we will work with them on some custom ones but, again, it has to be able to fit within the supply chain within the pooling model.

The second expertise that we have is in the management systems. While the automotive supply chain is complex, it is very complex, it still requires the basis tenants and aspects of what pallet pooling does, which is you've got to have asset control and you've got to be able to move the stuff. So a lot of the major tenants of our pallet pooling business fit very well into the automotive business. You've got to be able to move the products and you've got to be able to manage the assets.

The other piece is that we have an international material network, so because we operate in those geographies that we're in, we understand those markets and we understand what's available in those markets, so it's another advantage that we provide.

The last is on the services side. We provide packaging design engineers to work with our customers on how do they pack out the products. So, how do I take this from a corrugated box and put it in a returnable plastic container? We provide those services hand to hand with our customers.

The other thing is we'll do onsite operations. Jim talked about total pallet management, or TPM. We provide a similar type of service in the automotive industry that we call TCM, or total container management. We would have people onsite at the OEM who would manage the container flows. So when they're empty we'd go ahead and inspect them, ship them back to a supplier. If they needed it or if they're damaged it or they need to be washed we'd go ahead and ship them back to a CHEP plant for that.

All of these drive what you see there as the customer benefit, which is to minimise handling the decanting process and this is a big one. Think about if you're working on an automotive assembly line and the speedometer shows up in a corrugated box. What do you have to do? Somebody's got to physically rip open that box and pull it out. Where if it comes in a returnable container, it's moved right there, they can just pull it out and assemble it into the car.

Either they would have to do that on the line or, in many of the cases you've got a large work area where they have people that are just pulling the product out and then putting it in a returnable box anyway to move to the assembly line, because you can't slow down that assembly process. So that's one of the benefits of returnable drives.

It also eliminates the waste within the supply chain because you're pulling the corrugated over wood which a lot of that product ships within that.

And it reduces damage. One of the recent OEMs that I visited, I walked over to an area and they had this huge area where there was a bunch of corrugated boxes sitting in there and about 10 employees who were doing nothing but opening the boxes and looking at it. I said, what is this? Well it's our rework area. So it was an area where the product that was damaged, the corrugated boxes, they had to send it over to a special area to make sure that the product wasn't damaged and then somebody actually had to rework that process to get it back.

So it's another area for returnable packaging, because it eliminates a lot of the damage.

Improves freight utilisation. If you think about moving products in corrugated boxes you can't necessarily optimise the back of that truck. When you have uniform platform containers, the same size, and you can ship that load, you can get freight optimisation. Many of the loads that you look at in the automotive that are shipped in corrugated, the utilisation on the back of that truck is only 40% to 50%, so you can achieve 80% to 90% utilisation in that truck by using returnable containers.

So how does the model work? It's, in many ways, similar to our one way trip model in the pallet business. From a service centre that we operate we would ship out ready to use containers to the customer and generally the first move goes to the tier one suppliers. We'd ship it from the plant to the tier one supplier. Tier one supplier then takes the parts, loads them into the containers along with the (inaudible)that that's appropriate for it, and they would ship it into the original equipment manufacturer.

Original equipment manufacturer will then take those containers, move them down to the assembly line. When the containers are empty then what they do with them is they either return them back to us and we process them through our service centre, or in a case where we're doing total container management, we'd go ahead and inspect those on site. Those that are ready for use to go back to a supplier, ship them back out to the supplier location. If they need to be washed or there's any damage to it we'd ship it back to one of our service centres.

That's primarily how the cycle goes, very similar to the one way trip that's available in the US in the pallet side and in Canada and Latin America.

Let me share with you a case study for a vehicle manufacturer that's in Spain, so this way you can understand where the value driver is to the customer. This is a cost comparison with a vehicle manufacturer in Spain where they owned their own returnable packaging and then they converted to CHEP.

On the blue here is the costs that were associated with them owning their own. So, of course, they had the asset costs, they had to buy the containers themselves, they had administrative costs that were associated with it for the handling and management of it and then the big portion of the costs, and this is obviously the cost to transport. So it was the cost to move the containers back and forth between their suppliers and their OEM plants.

They spent about EUR1.1 million to manage that program in returnables. The CHEP cost that we provided to them was about EUR827,000, so about a savings of EUR300,000 to convert this plant. This was based upon 50,000 cars that this manufacturer did in this plant in Spain, but if you took that number and you put it across the entire amount of vehicles that they manufactured in Europe, which is 1.2 million, you can see you're going to look at about a savings of about EUR7 million for this customer potentially if they were to convert all their plants to returnables with us.

So where do the savings come from? Obviously there's the hard savings that they got, the EUR300,000 in the like for like switch that they had. Additional savings are in reduced losses. Because of the expertise that we have in asset management we're able to reduce the losses. A big part when the customer owns their own pool is they lose the containers because they ship them back out, nobody's really responsible for them. In our case, because we own them and manage them, we're able to reduce losses for the customer.

Obviously lower damages because, again, with us owning it and us wanting to manage it, we will make sure that the product is maintained, and that's one of the things that you find a lot in that when they own their own is that they don't maintain the containers as well. We will do that for them.

Minimise space for storage, so they're not taking up storage space within a distribution centre to do this. They don't have to provide any more packaging engineers to work on this and manage the process. We would provide that for them and, obviously, there's a reduction in overheads because they're going to outsource that to us.

So what's the strategic context look like today? The automotive industry is a century old industry and it's gone through a lot of evolutionary changes. It is a very complex supply chain. In fact, for a mass produced product like this it's one of the most complex supply chains that you're going to see.

Auto makers are not going through and looking at global vehicle platforms and the reason why they do this is they gain scale through standardisation as well as get the cost reductions and research involvement.

A prime example of this (inaudible) company, the Ford Fusion. The Fusion is a global platform that Ford has created and they've then used that car and that platform in regions throughout the word.

Increasingly, though, what's happening in the automotive space is that the original equipment manufacturers, the OEMs, are looking to one supplier to do parts for that vehicle platform. That's caused a couple of things. Number one is, while it's helped them to lower the piece cost, so because they go to one supplier and say you're going to make all the steering wheels for this car, it helps them lower the piece cost but one of the things that it does drive is it drives more complexity because now that supplier has to determine do I put in a local plant or do I decide to ship from this plant here. So it's added some complexity to the supply chain.

The winners really in the automotive business are going to be those folks that take a total view of the supply chain and the costs that are associated with it. The greatest cost reductions are in how do we re-engineer the supply chain with packaging being a major impact of that.

One of the OEMs that I visited a couple of weeks ago, they made the statement to me that when we used to think about packaging we thought about it on the backend. It was kind of an afterthought. All we thought about was making the vehicle and the packaging kind of filled in on the backend.

Now they said with their desire to drive lower supply chain cost, because they view that as a competitive advantage, packaging comes in on the front end because of their ability to optimise transport and lower overall costs.

So where's the market landscape? It's fairly unique because CHEP really sits in the middle here and we utilise the people on either side of this scale here to provide services for us. So we'll talk to people like Menlo to move it, provide some of the third party logistics services for us, and then on a packaging side we buy containers from folks like Orbis and Buckhorn.

So, the position we really play is in that middle and as an independent person that can provide a total solution for the customer.

What's our go to market strategy? It really is to develop our domestic automotive space and heavy equipment manufacturer and expand in the markets where we're underrepresented and, as Tom mentioned, North America. North America, you'll see in a couple of slides later, represents a big growth opportunity for us. We have a relatively small business now here in North America, but it represents a large opportunity. At the end of the day Americans and Canadians own a lot of cars and they drive them and it represents a big growth space for us.

So we're going to add, we've added resources here in north America and we're going to aggressively go after this opportunity that we have here.

A key to that will be to replicate the learnings and successes that we've had from the other regions. As you know, we have a successful business in Europe and in Australia so we're going to tap into those folks to essentially leverage the learnings that we've had from there to help us grow in the North American space.

Also leverage our global footprint then to expand into the international business, and I'll talk about what those opportunities are.

Then from there extend into new markets and products. Again, it's got to be a staged approach. You've got to build your domestic base of business and that will enable you to capture the intercontinental business.

So what's the domestic market growth look like? We view it as a $2.6 billion opportunity and that really comes from looking at our best served market, being Europe, and when you look at Europe on average we do about $46 a vehicle in packaging and returnable containers and then you extrapolate that over the current vehicle production in the world, which is about 58 million cars where it's at currently. That's where the $2.6 billion comes from.

This is a chart from JD Power and when you look at it it projects where vehicle manufacturing is going to go by 2016, which is upwards of about 88 million vehicles. So from the current 58 upwards to 88. The ones that you see in red are countries or regions that produce more than two million cars a year, the blue is a half a million. So, again, this highlights how important North America is. With 300 million people in the United States they're still projecting they're going to build about 10 million cars.

China, which is the largest vehicle manufacturer right now, is going to be at 16 million, but, as we all know, you've got a billion people there. Americans own a lot of cars and it's imperative that we get a base of business in North America.

Again, the other market opportunity for us is China. China presents a good market opportunity for us. When you look at our current revenue in China from a CHEP standpoint, we have a significant piece of that that is coming from the automotive industry right now and we have strong relationships with Chery and Chang'an Ford Mazda there and we provide services to them, so it provides us with a nice vehicle to grow. Also, a lot of supplier bases beginning to emerge out of China, so it's very important.

After we get to look at the domestic business, what's the intercontinental opportunity look like? This opportunity is about $1.5 billion and where that comes from is you take the total amount of intercontinental flows from what it's worth, which is about $70 billion, and generally packaging makes up about 2% of that. That's where the $1.5 billion comes from.

As you can see here, there's a big opportunity for us to capture this once we get our domestic businesses up and running. Again, we get the Americas up and running, we've got a growing business in China, our business in Australia is travelling well but domestic manufacturing in Australia is beginning to drop off, as many of you know, so the real growth areas are going to be China, North America and the other big one is Brazil.

There are, right now, in the city of San Paolo, and Arturo shared with you, there's roughly 16 million people there. The city of San Paolo, there are 6000 cars a day being sold in that city. Now they're having a hard time keeping up with the infrastructure. You can drive a mile and a half in San Paolo and it could take you an hour to get somewhere because the infrastructure is not as established yet.

But as the economy grows in Brazil, the first thing people want is material things. When they gain wealth they look to material things and one of the keys is a car. So, people in Brazil are buying cars quite a bit and all of the major OEMs have operations in Brazil. You won't find one that doesn't. Toyota's there, Volkswagen's there, Ford's there, General Motors, Citroen, Peugeot, they're all building cars, Nissan, in Brazil.

Why is the intercontinental business attractive to us? Well, a couple of things. 90% of it right now flows in either cardboard or wood. It's not in returnable packaging right now. For the customer there's no sunk capital investment, so it's not like they already have an existing returnable pool, they're shipping it in one way corrugated.

The change to management tends to be quicker and easier with this because, again, as I mentioned to you, think about being on the assembly line and having to deal with a corrugated box. It's not an easy thing to do. So from that assembly line standpoint they would much rather be in a returnable container. It minimises the waste and handling and really our focus needs to be, to gain this, you've got to compare the cost of one way with the cost of returnable.

So the way that we're going to be able to compete from a cost standpoint is really to maximise the returns under load. For example, if we have product that's moving from the United States to Brazil, we've got to find a return flow back, either into the United States or a return flow, for example, into Europe because a transport move from Europe to the United States is cheaper than one that moves from Brazil into the United States.

So those are the type of things we need to do to lower our cost to compete in this marketplace, so maximise returns under load, maximise all down ratios. As you can see by the containers here, when you're looking at intercontinental flows one of the keys will be to get folding containers so that we can get more into the shipping container and lower our transport costs as we send them back.

Then optimise the shipping lane flows. We want to be in those lanes to where we can get the best cost optimisation.

Then advantage that we have from a CHEP standpoint is, number one, we have a large global footprint. As I mentioned, we do have automotive operations in 18 countries, so we have the footprint.

First mover advantage. We're already in this space, we're the ones that are in it. The real competition in this space is really people that own their own pool and manage it themselves. There are very few players of any maximum scale that are doing this in the marketplace.

We have the existing systems, networks and processes. Again, the advantage we have in here is that we understand how to control assets and we understand how to move them. So that's one of the advantages we have.

We have scale that's pretty difficult to replicate. We have strong relationships with the headquarters for a number of these companies, so those relationships are already established. We are independent, so we're able, as I showed you on the earlier chart, to play in that middle space and use both of those.

Our value proposition is based on quantifiable savings. You saw with the example of that manufacturer in Spain where we can provide hard savings to them. Again, that was on converting them from their own returnables into using us.

So, in summary, we have a strong value proposition in the regions where we play, we've got the presence in the key markets and are looking to continue to grow in the markets where we don't now, like North America and China and Brazil.

The automotive and industrial equipment is becoming ever more global. One of the interesting things when you look at this industry is in emerging markets where cars are being build, ones like South Africa, Brazil, 50% of the parts that they get are coming from overseas. Even in the domestic markets where there's strong presence, like Germany, the United States, they're still sourcing 20% of their product from overseas.

We have the global footprint. I talked to you about the expansion opportunities which are about $4 billion and, again, even if this market stays at the current production it's at, which is 60 million, we still have a lot of wide space ahead of us just to expand within that current market opportunity that's out there. We're doing today roughly $130 million so we have significant opportunity to grow within that wide space and we've got the plans and the strategy underway to achieve that.

So, with that, I will turn it over to Mr Dershem and then take questions afterwards.

Dan Dershem - ***LeanLogistics - President and CEO***

Thanks, Kevin.

Good morning, my name is Dan Dershem, I'm the President of LeanLogistics and this morning I'm going to talk to you about the topic I find extremely exciting, and hopefully you will either at the end of this presentation or, if not at that point, maybe over the course of the next couple of years as shareholders with Brambles.

LeanLogistics was established in 1999. I was one of the founders of the business and it was acquired exactly almost two and a half years ago, in 2008.

The next two terms are going to be new based upon what you've been hearing the last two days, but what we do, we're one of the leading North American transportation management systems. You heard a lot of discussion around transport and logistics. We provide the technology to do that and, in a moment, I'll go into more detail exactly how that works.

The key differentiator and the breakthrough in this market space, the pivotal point, is delivering that technology to service versus the classic traditional perpetual licence model, so Software-as-a-Service, or a SaaS as it's now referred to. When we started we didn't even have a name.

What we do in that single instance model, because we're in a service model, all of our customers connect via the internet, we process today in the US alone about $5 billion a year in annualised transportation spend. So, as an organisation internally we have this ability to everything that's occurring across literally hundreds of thousands of locations, trillions of dollars of goods if you look at it that way, billions in transport, thousands of carriers, tens of thousands suppliers.

Our value proposition is really twofold and they're often the combination of the two and that is to help companies either increase their service to their end customer, like being better at what they do, and/or helping them reduce their cost or simultaneously doing those two at the same time.

Below here is a list of a number of our key clients and if anybody here has ever actually started a company, this is pretty exciting because you get your first company or your first customer and you've got this one big logo. Now if you look at this today you're going to see a lot of very substantial organisations represented here who, every single day, every product they deliver to their end customer runs through our technology.

Also of note here you'll see that a lot of these companies are similar to the same to the prior - my colleagues slides earlier. So that will be some of what we talk about a bit later in terms of the synergies between the two organisations.

Myself, I started my career in the automotive industry on the technology side and then in the early 1990s moved into the supply chain and logistics, some similar companies to the background that Jim Ritchie's come from. The organisation I was with was small and rapidly growing. I was part of a management team that grew fivefold and was ultimately acquired, taken public and then acquired by Supa Valu, one of the largest grocery wholesalers in the US.

Then with the start of Lean, I kind of took the technical background from the automotive side and the operational expertise to the logistics industry and combined those two into a service model that has since become LeanLogistics.

Two other key members of my team, Chris Timmer and Matt Ahearn, they both joined the organisation right about the time that we raised our first series A round of funding, so they both have a long tenure with Lean, and Chris and I actually date back to the early 1990s. We've been working together upwards and almost 20 years.

Chris, if you look at those prior logos, was responsible for landing a number of those clients and getting them to actually take a significant part of their business and bet on a small unproven concept at that time in delivery technology as a service.

Matt Ahearn joined as our Chief Financial Officer, has a background in automotive and food and has continued to grow in his responsibilities and now is our Chief Operating Officer.

Then Rick Tucker is well known in the transportation management systems industry both from the shipper side as well as the carrier side and is responsible for all of our development and Rick and I also have worked together since about 1991.

The key here, in an intellectual property based company, people are always important in everything, any organisation, but our end solution comes from the minds of our people. What we've been able to do, and the synergies with Brambles and CHEP and the excitement that we have, not only is the entire key leadership team still in place two and a half years later, which can be unusual when you look at a small entrepreneurial company that's acquired by a relatively large one - but even if you go down to the tier two and tier three within our organisation, 100% retention two and a half years later, so we're extremely excited about the opportunities that are represented here.

As I mentioned, two key things here. We're going to walk through transportation management system, I'm going to walk through kind of the process that occurs and a little bit later we'll have a demo that I'll walk through as well.

What does a transportation management system do? Virtually every company today that either provides a service, or a manufacturer of goods at some point in that order to cash cycle needs to move something.

So what our technology does on the very front end is we help organisations figure out what carriers should they be working with and in what modes. Because we're in a single instance model, we have over 8000 carrier companies that are connected today, so we have a vast amount of visibility into who you should be working with, what are the optimal modes, what are the performances that you can expect and an extremely fragmented carrier base in all geographies across the globe. That's a significant advantage for our customers.

Then you move into the planning cycles. Now that you know that you have a provider, you have a contracted rate, you know how you're going to move it, you've received an order, whether it's a purchase order if you're a retailer, sales order if you're a manufacturer, you now have to optimise that into the best way of delivering it against the constraints of your customer and your manufacturing cycle.

So the ability to take those orders and build them into the correct mode, whether that's parcel, LTL, truckload, rail, it can be a number of different modes, but also making sure that you're building that unitised load to the greatest amount of capacity that you can. We do that through sophisticated algorithms that our customers use in our technology.

Once you've planned that it moves into the execution cycle, so communication to literally tens of thousands of customers, your carriers. That's where the SaaS model really the advantage starts to shine, in addition to the network capability because everybody's already connected. When a new customer comes on board, their suppliers are likely connected. 80% plus of the US carriers are likely to be connected in the verticals that we participate in. You have that visibility from beginning to end.

The settlement component is something that we help really drive coming out of the late '90s into the early 2000s. So if you look at the $5 billion of transportation that we manage today within our technology, because it's planned all the way from the beginning where you source through the execution cycle and anything that could come up on the end, we have the ability to help our customers not only not receive an invoice, so you eliminate the entire payables cycle, but also about 65% of that volume today is actually paying the suppliers on the carrier side without ever cutting a cheque. It's literally we supply the data that allows the manufacturer or retailer to move the data from a bank to the carrier's bank, so direct payment.

SaaS is the key differentiator to the marketplace. Today in North America the TMS market space is about 30% penetrated and one of the barriers historically to that has been the licence and perpetual installed model. The majority of the companies through the '90s that would have put in a TMS would have had a transport spend north of $100 million, they would have invested well north of $1 million in a licence, they would have had to build all the infrastructure to do that, maintain it, connect all their suppliers so that 30% that exists today in the marketplace represents about $760 million in North America, represents about a $2.5 billion market space, in the green space. The key to breaking through that is the Software-as-a-Service model.

If you look at our model, because the technology is already up and operating, from the time that a client signs to the time that they go live is eight to 12 weeks. I can't tell you how much time we still spend in the sales cycles convincing people that it can be done in that amount of time. Their perspective is that it's somewhere between eight and 12 months because of the licence and install model.

We've proven that time after time. We actually fix bid that and we've never missed yet.

The other key to that is because the technology is already up and operating. When you're looking at the decision cycle and the risk cycle to buy, what you're viewing is what you're going to have access to and most of us are probably getting more used to this concept in our iPhones and our iPads and other technologies where we're not actually buying licences, but at the enterprise level this is still kind of an emerging area.

What are customers get, so that helps them become live faster, it's lower capital investment, it's lower risk, but the real opportunity here is now because everybody's connected and as you think about complex supply chains and the ability to manage, the ability to interact with your suppliers, collaboration with your suppliers or your customers, now everybody's in one network and that truly was the vision that we had when we started LeanLogistics.

It was not only to remove the barriers to that remaining 70% adoption by having the technology already up and operating, but it was what can you do once you have that environment available to the end user. So SaaS is the key differentiator here.

Network. How many times have I heard that term just in the day that I've been here? Competitive advantage for CHEP, the density of their network, we talked about the SME space. This is really what Brambles, CHEP and Lean together and there's still a lot of folks in the industry that kind of scratch their head because they don't necessarily understand the key to CHEP has been the density of their network and the geographies that they operate and the key to Lean's future is the fact that we're quickly building one of the most dense networks in the transport environment.

The ability to do that allow us, on the left hand side, to continue to deliver our core solution offerings all the way from the beginning to end of the transport cycle. So our core essence, what we are is we're a technology provider. Our asset is the technology against that network.

On the right hand side, we have an emerging component of our business. Because folks are adapting the technology and they're moving faster and we can start to demonstrate best practices, what's the best way to move goods, what's the opportunity cost structures, what's the trade off between on time delivery and inventory, we can now take that data and mine it in ways that nobody's ever been able to do. Everything's always been theoretical or trying to conglomerate data from different sources versus one normalised database.

In doing that, our clients are coming to us more and more and saying we either want a business process outsourcing or a managed services environment to where you're actually operating on our behalf. So, today, almost 20% of the volume that's running through our solution is migrating to not only our customers using our technology, we're actually operating the supply chain on their behalf through a managed services agreement.

Then the emerging component of our business here, if you look at the self service solutions, very, very miniscule component of our business, kind of out there on the end of a surfboard if you were to talk to most analysts, but we firmly believe as you look at the emerging market and you look at the green space, more and more enterprises are going to look to adopt technology to the end user.

So, if you think about what we do today with these, Blackberries and iPhones, and the technologies that we have available through the app stores and the things that we can solve as a consumer, that's going to move into the enterprise business environment, we believe. Test me in five years and see if I'm right, but I think I am.

So when we look at this component of our business, we recently launched a couple of very small applications to start to test and learn in that environment, but also as you look at many of the emerging marketplaces where there's no technology infrastructure, this is going to be a great opportunity for us on a global basis to help companies basically skip the landline to the cell phone transition by being able to go to that direct user over the wireless network.

A couple of key examples, customer examples, for us on the left hand side, Ace Hardware, they have about 4400 hardware stores in the US and they came to us with a unique challenge a couple of years ago.

They knew they had an issue on the transport side and they were growing quite rapidly, but they were also looking at it and saying if we had surety of delivery from the time that we placed an order with a supplier to the time it was delivered, what would that mean to our distribution network?

So through the implementation of that and then building out some of our technologies on the supplier side and literally connecting thousands of product suppliers, we were not only able to take out almost 13 per cent of their transport cost, but, more importantly to them, we were actually able to increase their inventory turns by 25%, therefore reducing their total inventory, and it took millions of dollars of infrastructure, the physical infrastructure they had in the budget to build out to support the growth.

What that's starting to help, as you look at TMS not only it's emerging and how it's delivered, but actually the problems that it's starting to being looked towards to solve are extending much, much further than what we would have historically thought.

Rich Products on the right hand side is a great customer of ours, and actually of CHEP's as well, probably one of our most referenceable customers for both companies. They're one of the largest privately held food companies in the US. Rich was one of our first managed services clients. So we were competing in an environment where they were looking at outsourcing, their senior vice president said maybe we should consider insourcing it and ultimately we worked together and said you can get the best of both worlds with Lean.

So year over year we've been able to consistently deliver increases of service and decrease of cost for them and they became kind of the linchpin to the emerging or the convergence of technology in managed services.

Also critical to Lean, these are great customers, we have about 65, actually as of this week 66 customers. Every single customer we do business with today is referenceable, maybe you'll have the opportunity to challenge me on that over the course of the next year and how we do that, we understand we're in the service business.

We also incentivise all our employees twice a year. There's a survey that goes out there, every customer, whether you signed yesterday or you've been with us for eight years, which is about our longest customer, it took us about two years to build the technology, that asks two questions. Today would you be a reference, and also, if your service agreement, because we sell our technology as a recurring revenue stream, we don't charge a licensing fee, would you re-sign today?

We have, by far, the highest industry leading statistics in those two categories and the key to that is building an organisation around technology with a service mindset.

Now what I'm going to do, I know this has probably been like drinking out of the proverbial fire hose and it's only going to get worse, so I apologise, but Tom asked me to actually do a demo. The best way to do that, Tom and Greg and others have had the opportunity to come up to Harlem and stand behind our team and actually watch them operate within the technology, but what I'm going to do is condense what literally, I think we have 62,000 active users on the technology today, 8000 carriers, tens of thousands of suppliers that are connected, we're going to take all that up, 3.1 million lines of code, and I'm going to try to summarise it up into five minutes and 50 seconds. So, we'll see how we're going to do here.

Video played

Planning begins with the receipt of your orders into the TMS. LeanLogistics has integrated with many systems, large and small, from SAP to home-grown. We have yet to find one we could not communicate with.

We process all orders in real time to give you immediate visibility to what is available for planning, from sales orders to purchase orders to transfers and returns. Create loads using our simple and elegant transportation planning tool, a point and click web [native] application designed to quickly and easily identify orders and build them into loads.

By taking into consideration cost, transit time, available modes and capacity, our routing guide technology defines the best execution plan for the load, tendering to multiple carriers in a waterfall, or using a marketplace to identify capacity for spot loads.

Take advantage of our optimiser, which uses sophisticated mathematical algorithms and user defined constraints to automatically identify the orders that can be routed together.

Our powerful rating engine makes it easy to load and manage all carrier rates and quickly assign the right rate as the load exits the planning stage.

In addition, we interface with industry standard rating engines from SMC3, UPS and FedEx for the most up to date rate information.

Once carriers have received notification of load tenders, they respond with a simple accept or reject that they can provide via a web interface or using ADI. Because of the audit quality of rate determined through the rating engine at time of tender, the carrier knows what they will be paid upon delivery. The carrier can easily add notes to a load, describing any exception that may have occurred during transport, or even requesting modification to the rate due to unforeseen circumstances such as detention.

Loads that are tied to our appointment scheduling module, present a set of available times for the carrier to choose as their appointment slot. The carrier can provide appointment information, in transit check calls and delivery data back to the TMS using a simple web interface or via ADI 214 transactions.

Shipper users at the dock have full visibility to all appointment activity through our appointment scheduling route control. Our colour coded display makes it easy to understand the status of any appointment slot and plan your dock labour accordingly.

Once the carrier has completed the load, it is closed and then eligible for payment through our web settle module. To facilitate continuous moves we support a sophisticated tour building engine that identifies the most appropriate loads to combine based upon your business rules surrounding distance, timeframes and debt head and then tenders the tour to the carrier for execution.

Any claims incurred during the execution process can easily be managed using our dedicated claims module which support external documents and low documentation to ensure all information is collected and managed properly.

Through multiple dashboards and real time alerts, LeanLogistics provides full visibility into the activities of the TMS. Users subscribe to receive alerts about the TMS events that interest them, then those alerts are presented via the build in messages screen sent via email or communication via instant message.

Events can be filtered to only send a notification if certain criteria are met, for example, when a load's weight changes by more than 5000 pounds.

Our dispatch console displays a current summary of load activity with drill down into load details and, further, into a load report for a specific order. The load report contains all information about the load, including current status, weight and volume, detailed cost both payable and billable, if applicable, pickup and delivery locations, including maps, carrier notes and more.

The load report also provides visibility to all load audit trails, operational, financial and communication.

The supply chain monitor follows loads through a shipper defined timeline. This monitor aggregates data from multiple systems to provide warnings and alerts when the load does not meet a designated checkpoint within the allotted time.

To create intelligence out of data, we support a series of reporting tools within the TMS. (inaudible) provide analysis for various system areas. These include carrier performance, tender activity and routing guide compliance, among many others.

Our transportation mapping interface allows you to look at the big picture as you analyse your freight depot. It's simple to visualise larger amounts of data yet still drill into the details of a specific load.

Our visual reporting and dashboarding tools take ad hoc reports to the next level by providing a simple drag and drop interface to create a report. You can easily layer these reports together in a dashboard or schedule them to run on a recurring basis with the results appearing in your inbox.

We also support a special active report format that allows end users to perform further analysis without the need for Excel. Create your own scorecards using our predefined metrics and templates based upon the best practices of our managed services group, or take advantage of our data extract tools to pull information out of the TMS and into your own systems for further analysis.

Dan Dershem - ***LeanLogistics - President and CEO***

I warned you. That's exciting stuff, isn't it? So hopefully that helps. Like I said, it's an awful lot in a short amount of time and really what this is showing is, it's continuing to show it too.

Tom Gorman - ***Brambles - CEO***

We've now set a new record. We've set a record to fail on the not live demo.

Dan Dershem - ***LeanLogistics - President and CEO***

The good thing is the system didn't fail, somebody else's technology.

Tom Gorman - ***Brambles - CEO***

Good, yeah, we'll blame someone else. We're going to blame the third party on this one.

Dan Dershem - ***LeanLogistics - President and CEO***

We're going to transition a little bit here now. We've talked a little bit about what we do, the customers we do it for and obviously a brief demo. Now we're going to switch to the marketplace we compete in. We'll talk a little bit about, really importantly, the synergies that we see between CHEP and the Brambles companies and in Lean and then some of the initiatives that we're undertaking to leverage those synergies.

First, the marketplace that we compete within today. On the left hand side you have here your traditional third party logistics companies that typically would operate off of some form of asset bias, whether that's transportation, distribution, freight forwarding, et cetera. They're opportunity in the marketplace is the fact that they create critical mass around their network and the knowledge that they have within their networks for companies that choose to outsource to them.

On the right side, as we've discussed, you have your perpetual licence companies that would have the characteristics of allowing them to penetrate the market up to a certain point, but the green field space they've created a lot of barriers to adoption.

What we've been able to do in between the two, by building it in a Software-as-a-Service model, is in a relatively short amount of time we've built a network that rivals in terms of critical mass and density many long established participants on the third party logistics side.

On the right hand side, because of the power of using one instance of the technology and the ability to continue to refine and take those best practices back into one version, to adopt that and migrate it very fast and very cost effectively, from a technology standpoint we can rival or exceed companies that have been doing this for two or three times as long as we have in the market space.

So that convergence really represents an opportunity both for us in terms of services as well as technology.

Many of you may now Gartner and AMR who are two of the leading industry analysts that monitor the supply chain, this is directly from their June, their annual supply chain conference and they basically break the world of end users into three categories. Aggressive companies, which would be the ones that would be likely to have adopted our model early on, more in the risk taking kind of mainstream as it becomes a popular idea and then the conservative companies that say we're going to wait until somebody else has completely proven it out.

What's really important about this slide is, if you notice we've talked about two offerings that LeanLogistics is well positioned to provide, on the left hand side the BPO or managed services and on the right hand side the adoption of SaaS. Notice the significant increase. Even more importantly, in the more mature market of the US versus other regions that we're looking at, look at the conservative companies. This is through 2012 in terms of how they're going to adopt technologies or services. You're looking at almost a 20 percentage point gain from where they are today. That is really because of the fact that there's companies like LeanLogistics out there now delivering the technology in a new model.

The environment that we operate within, supply chain is quickly becoming a global necessity, much faster than what I even thought. Tom and I had the opportunity to sit down about 18 months ago and we were kind of mapping out and saying in the next five years the larger companies are going to start thinking more global and operating and running best practices globally.

I think the financial crisis convinced a lot of our end customers how connected the world is and how they need to have visibility and best practices across the globe. So that adoption is actually accelerating well beyond what we even thought it would.

The TMS is viewed as a critical component to that, not just to solve a transportation piece, but going all the way back into manufacturing and inventory.

The room for growth. We talked about the penetration in the US market alone. That 30% in the US is actually ahead of every other region that we've looked at, so significant opportunity in other regions to grow the business.

The issues that are driving the adoption, the list is very long, we summarised a few here, but none of these are going away and none of these are getting any easier if you look at fuel cost and fuel volatility and the impact that it has on networks. Safety and security, absolutely an issue. Carbon emissions, I think once we get out of the financial crisis people will continue to pay more attention to that. So, a lot of opportunity to continue to drive adoption.

This is why I'm here today. I'm here a little bit different from a number of our colleagues in that I had the opportunity when I was approached by Brambles to go back to my shareholders and say it may be time to turn the baby over to somebody else. There's somebody that has a set of assets here that we could never match and I got support from my board in that to say the end goal of this was to not only build value for the shareholders of Lean or Leon, but it also was to build something of significance.

The footprint that CHEP represents here on a global basis is unmatched in the supply chain and a lot of companies look at buying technology companies but they often buy them in spaces that aren't relevant or where they're not selling to the same end customer. We're both selling to the same senior person within an organisation, the senior person within the supply chain, a lot of overlap, a lot of common relationships in the customer bases we have today. Thousands and thousands of customers. Our 65, we're proud of our 65 but I can't wait until ours is thousands as

CHEP has and a lot of overlap within the industries but also importantly we're in industries that CHEP's not in today. So as we think about the future some of the adoption of the asset or the pooling model might be barriers particularly in the emerging markets by not having visibility but if we can get the company to adopt our technology we may be able to help the adoption of the asset pool.

The supply chain expertise and the people, we often look at these as costs. Costs of doing business, how do we manage it, how do we take pennies out of it. My belief is it's a significant asset of the CHEP organization. The $650 million roughly in transportation that's spent every year, it's a cost of doing business and needs to be managed but it's also a presence and an asset in every market that we operate within.

Then the people. Ultimately that's what it comes down to is the solutions provider taking the roughly 120 people that we have within Lean today which is more than twofold at the time of the acquisition and taking the best practices and what we've learned across a very broad customer base and adopting that into the CHEP environment and vice versa.

So our plan for expansion has three pillars. First and very importantly continue to drive for that market share in the market that we operate within today. Kevin talked about North America being critical to the growth for the automotive. We'd also be the same for our solution given that North America's a little bit more evolved than other regions.

New geographic expansion, leveraging, the expertise and the knowledge that exists in all the great operating divisions within CHEP and then ultimately leading to how do we take these networks and data and how do we create solutions that no-one else can if you don't have the technology, the knowledge and the data that exists within CHEP's network and Lean's network.

In that expansion we currently have an assessment going on supported by Greg Hayes and the strategy team but we believe that our areas of priority are going to be probably not a surprise for this group given the assets that are in place, Europe, Australia, Brazil and Canada. Actually we kind of got out ahead of the strategic review and just decided to sign a couple of contracts in Canada here recently so, really excited about the geographic expansion.

Also leveraging people. Anybody that was at the Madrid conference, Enrique Garcia would be a familiar face and name here. Enrique who's got a fantastic supply chain background, seven years at CHEP, most recently as the Vice President of Logistics for Europe and as of early this summer he's actually moved over to the LeanLogistics team. So again, leveraging that knowledge within CHEP with the Lean team, applying the folks, building a best in class team to not only help drive the value within the CHEP network but how do we commercialize these opportunities going forward.

That really in summary is our goal. Our objective, our vision is to be a leader in the supply chain solutions. CHEP is doing that today from an asset standpoint. We're going to do that from a data and a network and technology standpoint. We'll leverage that infrastructure and expertise that exists today already within the assets of the CHEP organization and to do that with two objectives.

One, all of the US today is on our technology so year in and year out our objectives through the use of that technology is to help drive down that cost and Jim referred to that earlier today. What can we do to continue to create a competitive advantage because of the critical mass that CHEP has in each of the regions? But equally importantly and exciting I believe from a shareholder's standpoint is then how do we transition that and commercialize it out to our external customers?

So as we're going into those literally thousands of customers across the globe the opportunity to go in and say here's what we're doing to provide the solutions that you understand but here're some things that we're doing that are out there, six months, 12 months, 18 months from where you are today, so that you can ultimately look at the Brambles organization as somebody that's not only delivering on the commitments they have but we're actually leading the marketplace with opportunities for you to continue to be better within the supply chain.

Tom Gorman *- Brambles - CEO*

Thanks a lot Dan, I appreciate that. I think that just to summarize this section I think what you see here as what we've presented over the last couple of days is the mix of new faces in the organization combined with some incredible experience over the years on the Brambles and CHEP team.

I mean Kevin brings enormous business development capability to a market that we believe is wide open for us in the automotive space and Dan and his team being relatively new members of the Brambles family bring a fresh approach and along with that a massive intellectual bandwidth that is really going to transform our organization over the months and year ahead.

What Dan didn't mention but I eluded to yesterday, is Dan also runs our Logistics global council and so he has the ability to really touch every operation in the Brambles world and the leader that oversees that from an executive leadership standpoint is Dolph Westerbos who's directly responsible for EMEA. So we're integrating these key people in our organization, bringing the organization together and in the months ahead we're going to strengthen our capability to get synergies out of the group.

So with that what we're going to do here is to pause and I'll just moderate the question and answer period here as we focus on these two emerging growth opportunities. So we'll open up for questions.

QUESTION AND ANSWER

Unidentified Participant

Tom, can you give us a sense of the revenue and EBIT contribution of Lean?

Tom Gorman - ***Brambles - CEO***

The revenue and contribution of Lean? Today we don't disclose Lean specifically. It's now shown within the America's numbers. What we have talked about is the growth since we've had Lean and it's grown at 30% I think since we've acquired them so the growth trajectory is what we expected in the acquisition and I think the benefits that we've been able to achieve really are now focusing on integration and growing the business internally as well as externally.

Unidentified Participant

Is it profitable?

Tom Gorman - ***Brambles - CEO***

Yes.

Unidentified Participant

Kevin, could you talk a little bit about how you are going to implement your networks across the US for the automotive business? I mean are you going to use the existing CHEP facilities, do you have to construct some new network, what's the strategy there?

Kevin Shuba - ***Brambles - Senior VP Customer Development***

It's probably going to end up being a combination of both. One of the benefits again of this is when you land the customer you'll then understand what their network is. Right? So we'll be able to overlay - again because of the systems that we have in place - what their network looks like from where their suppliers are into the equipment manufacturers and in many cases we will be able to use existing CHEP service centers. So, no reason why we won't there.

So if we have one that's existing, if Jim's got space in it then Tom will go ahead and utilize that. Where we need to add other ones, we'll add other ones where appropriate to service the customer.

Unidentified Participant

In terms - I mean you spoke about the potential to improve the utilization of the trucking fleets for better standardized volume. How does that factor against the weight trade off given presumably, cardboard containers would be a lot lighter than your plastic containers?

Kevin Shuba - ***Brambles - Senior VP Customer Development***

That's where the trade off comes from the ability through utilizing standardized pack to get more on the truck. So in the case of the domestic market the benefit is if you look at a lot of the current customers that are using corrugated, those trucks are anywhere between 40% to 60% full so they're shipping a lot of air still within that space.

So when you go to a standardized pack they can get more product on there. So on the domestic side it's being able to get more product on therefore they're using less trucks so there's where the trade-off is. On the intercontinental side it's really going to be a matter of our ability to lower the transport costs so we're going to have to find those return lanes back. We have done it in cases. We have intercontinental flows going now but it's going to have to be the balance between, again, getting those transport costs lowered through find and return monies.

Unidentified Participant

Isn't that very much a --

Tom Gorman - ***Brambles - CEO***

I just might add one thing on the cost front. The one thing about the automotive space is that automotive, probably of all the industries, understands total cost better than anyone. So they're willing to make trade-offs if trade-offs are required. So if you come into them and say look you're using this amount of space - as Kevin used, the term in automotive is decanting - you're decanting all of this packaging, you're dedicating resources to that, they'll get it pretty quickly that okay, I can eliminate that cost.

There may be some shift in other cost elements but they'll focus on total costs and if you can deliver them a better total cost outcome in addition to taking away the need to expend their own capital you have a pretty easy sell here in terms of them getting it pretty quickly.

Unidentified Participant

The plan to have a major advocate like you did for CHEP in the '90s where you get one major manufacturer in and then sort of drive it through all the OEMs?

Tom Gorman - ***Brambles - CEO***

Well we have that already so this is not inventing from scratch --

Unidentified Participant

Right.

Tom Gorman - ***Brambles - CEO***

-- as Kevin pointed out. If you look at that list of brand names underneath on one of Kevin's slide, our global positioning with major automotive customers around the world is quite strong and frankly what's happened in the automotive industry over the last 12 to 24 months, there have been a little bit of movement of assets. So we now have Volvo as a customer so we now know Geely we had Land Rover as a customer, we now know Tata. So they're helping us a little bit in terms of spreading the assets globally. Any questions?

Unidentified Participant

What application has LeanLogistics been able to do with Recall given the level of transportation expenses that Recall has?

Dan Dershem - *LeanLogistics - President and CEO*

Sure, as of today we haven't done anything with Recall. Primarily our focus so far has been more on what's known as inter ladder moves or longer distances versus localized city moves but with some of our recent expansion into Australia and some other regions we're actually developing as we speak those capabilities and that would be one of the objectives in us adopting the Recall family in as well.

Unidentified Participant

Just a question on Lean. How does the relationship work between you and the customers of CHEP? Do you have to get permission to use the information that CHEP has about FMCG customers flows?

Dan Dershem - *LeanLogistics - President and CEO*

We don't actually because of the fact that we have common ownership in the way the agreements are written. That was one of the things that was taken into account in the acquisition was the ability to do that. Most of the customers actually view that as very powerful because we can come to them already with a pre-engineered solution and so our experience has been there's not a lot of concern because of the fact of the common ownership.

Unidentified Participant

Just a question Dan, Australia is one of the new markets, how has that been, how has your service level product been perceived in Australia?

Dan Dershem - *LeanLogistics - President and CEO*

We're literally are launching with CHEP in November of this year so we're actually just starting that process. But that's the powerful thing here. Prior to coming in for CHEP which there is a great value proposition there, we leveraged the CHEP Logistics and sales team to go out and meet with some customers here recently and the interest is very high.

Unidentified Participant

Just finally, is the interest coming more so from retailers or manufacturers?

Dan Dershem - *LeanLogistics - President and CEO*

It was actually equal on both sides and it's going to depend geography by geography in terms of how they have their networks set up I think in terms of interest and the length of haul and who's actually controlling the transport. In the US today our break down is probably about 30% retail, 70% manufacturer.

Tom Gorman - *Brambles - CEO*

Just on the relationship between CHEP and Lean, we talked about rich products, Dan put that slide up - we actually made a joint call with the team - it was probably back in June I think it was in Buffalo - and I actually joined the team. So we had the senior sales leadership from the CHEP side and the senior sales leadership from the Lean side. For us it was an incredible opportunity because you can have a much more strategic conversation when you partner in a way that's providing solutions across a wider array of our customers' problems, their opportunities and challenges.

I think it showed the power of where we can bring this relationship going forward. So it's not just about commercializing and monetizing the TMS offering which clearly that's important to us but it's also making the Brambles set of companies stickier with our customers because they see us as a value provider and a solutions provider not just a provider of - I don't want to use the word commodity here - but provider of a single solution. We're really trying to extend our reach with our customers.

I happened to witness it firsthand because I joined the sales team on that particular trip and it's something that's very powerful that we have to continue to take advantage of going forward. I think where CHEP is today, particularly in the Americas as they're gaining traction and improving the relationship with our customers because of all the Better Everyday delivery it gives us more credibility to do these sort of joint initiatives now.

Unidentified Participant

Tom, just a follow up question to Anthony's. Dan mentioned that there are 8000 carriers or something who are participating in the LeanLogistics database, as you move into a location like Australia there's much less competition in terms of sophisticated carriers, in terms of the logistics supply chain offering. You look at the US you've got the largest trucking company here who's only got 3% market share. You look in Australia Toll's got over 10% and then the next largest one is Linfox at 5%.

So are you getting any pushback from those players in the Australian context saying well we actually don't want to share that information with you and participate for you to effectively drive down their revenue?

Tom Gorman - *Brambles - CEO*

I'll let Dan respond directly.

Dan Dershem - *LeanLogistics - President and CEO*

First of all, the decision is made at the manufacturer/retailer so it's made at the carrier's customer level which is kind of critical. Then if you look at the components of what we do - and we experienced this 10 years ago within the US, we knew that we had to build a value proposition on both sides. So yes, it's been mandated to the service provider with things like more efficient payment, more visibility into the assets, helping the carriers better utilize their equipment.

The vision of some of the things I think that was talked about yesterday of actually CHEP and Wal-Mart working together and helping those carriers utilize the trucks to take out miles. So this isn't about just going after rate, it's about how do you help those carriers be more efficient with their assets. Our experience so far, although we haven't had enough experience in Australia to speak specifically but I'll talk about Canada and the US market, there's been maybe a little bit of hesitancy on the front end until they understand it but relatively quick adoption.

Tom Gorman - *Brambles - CEO*

I think even as Dan and I have been talking about what's happened over the last couple of years, when we went into the Global Financial Crisis a lot of our customers you could just negotiate rate and a lot of the savings that you were getting in the logistics space, because there was such excess capacity, people were just negotiating rate down. So the logistics groups and the purchasing groups were getting big saves just by exerting pressure in the market.

That's not what LeanLogistics and Dan's team is all about. It's really about driving efficiency and eliminating waste and we do believe that in the long run that's a win for all the parties involved in the transaction. So it's not just grinding away on rate. That's not at all what we've been talking about.

Unidentified Participant

One of the concerns - one of the things that occurred to me is say if you go to a large customer, like say Wal-Mart, and now you're part of a family, Brambles family who's been providing services, don't you get some pushback from them that they start expecting you to provide it almost free? How do you ensure that you monetize in such cases where they start expecting value-added services as part of the Brambles (inaudible)?

Tom Gorman - *Brambles - CEO*

Well I think you're asking a very good strategic question. I think there is a whole raft of services that we provide today and I think Jim and Karen touched on a lot of those. We do packaging studies for example in the innovation center. I think on average we have one customer, if not more, a week coming into Orlando. Some of that stuff we do price for and some we don't.

If you remember the slide I think that Karen showed, we did sort of ourselves and competitor A and B, we can offer a lot more services that are value-added services that make us stickier with the customer and theoretically over time should allow pricing premium for providing that. I think when we're talking about Lean it's a different set of circumstances. Lean is a standalone business today that provides a value-added service that they generate revenue and profit associated with.

What we're talking about now is partnering in terms of number one, Lean providing those services for us internally so it becomes our logistic center of excellence and drives our operating costs down but two, we do this jointly as a priceable service for our customers but we have all the strength of Brambles standing behind that. I believe as a Brambles company we bring credibility to a smaller startup such as Lean that they heretofore would not have had. So we bring the capital along with the network capability to drive that growth.

So from where I sit I recognize that the question - I recognize the potential risk but I don't see it as a very large risk. Maybe I'll let Dan respond as well.

Dan Dershem - *LeanLogistics - President and CEO*

I agree with everything you said Tom. At the end of the day it's about can you walk in with a value proposition that you're uniquely qualified to do? There may be opportunities where we look at it and say it makes sense to bundle the two. So the inverse side, the positive side to this is take some of the verticals that CHEP has been looking to get into here in the US and hasn't been able to because of lost control of the asset.

So if we're going to have the ability to go into that vertical and go to the CFO and say look we've got a combined process here, your losses can be managed because we're going to manage the transport side and the pool, I think there's an ideal opportunity even to open up markets that we're not in today.

Unidentified Participant

Hi Kevin. Just on the $130 million worth of revenue you're currently looking at, what's the asset base behind that?

Kevin Shuba - *Brambles - Senior VP Customer Development*

I don't have that at the tip of my fingers here how many containers we have.

Tom Gorman - *Brambles - CEO*

Kevin was referring to the $130 million in revenue that we have today.

Kevin Shuba - *Brambles - Senior VP Customer Development*

That's correct.

Tom Gorman - *Brambles - CEO*

That's today currently and I think on one of the slides we show where the mix of it is.

Kevin Shuba - *Brambles - Senior VP Customer Development*

Yeah.

Tom Gorman - ***Brambles - CEO***

Between Europe, South Africa, Australia --

Unidentified Participant

But what's the actual dollar value of the asset base behind that $130 million of revenue?

Tom Gorman - ***Brambles - CEO***

I don't have that off the top of my head.

Kevin Shuba - ***Brambles - Senior VP Customer Development***

Yeah I don't either.

Unidentified Participant

So how many containers is that at the moment?

Kevin Shuba - ***Brambles - Senior VP Customer Development***

Jim did the total number of --

Unidentified Company Representative

I'd have that somewhere. I can get it for you.

Unidentified Participant

Also is this business self funding its growth or does it rely on the cash flows from CHEP and Recall?

Kevin Shuba - ***Brambles - Senior VP Customer Development***

The beauty of the automotive business is you don't buy the containers until you get a customer. So once we get a customer on board and get a contract signed that's when we go ahead and purchase the containers.

Tom Gorman - ***Brambles - CEO***

But just to be clear, I've gone through this several times with many of you in the room. With CapEx we have there's a growth component to it so in the first year when you're buying the assets it may, depending again on the terms of the asset, it may well exceed the revenue in year one. But the model as Kevin says, across all of CHEP is that you don't buy assets until you have the customer.

So year one, yes you will. On a constant volume basis your cash flow is going to represent the CapEx and you're not going to have the revenue and the profit to offset it but it ramps up very, very quickly on the automotive side. We've also said this that the return on capital between the three businesses of RPC, automotive and pallets, they're all very similar and the difference is faster cycle in some and lower asset acquisition costs so the building blocks are different but the return on capitals are well and truly good.

Kevin Shuba - ***Brambles - Senior VP Customer Development***

13 million is the container. 13 million containers.

Tom Gorman - ***Brambles - CEO***

He got that through Dan's ethernet internet thing.

Kevin Shuba - ***Brambles - Senior VP Customer Development***

No, my friend James took care of it.

Unidentified Participant

What kind of damage rates do you experience on the automotive crate?

Kevin Shuba - ***Brambles - Senior VP Customer Development***

It's actually fairly low. It's in the 2% to 3%.

Unidentified Participant

And you've just got to grind them down and remould them?

Kevin Shuba - ***Brambles - Senior VP Customer Development***

Yeah and that's the other beauty of it, you can regrind them, yeah.

Unidentified Participant

Just some LeanLogistics --

Tom Gorman - ***Brambles - CEO***

There are no toxic chemicals in any of them.

Kevin Shuba - ***Brambles - Senior VP Customer Development***

Yeah, there are none in them.

Unidentified Participant

In terms of value-add for LeanLogistics and internally for Brambles, is there a quantifiable gain there given you guys are already using online auctions given the volume of your own existing transport (inaudible)?

Tom Gorman - ***Brambles - CEO***

I didn't hear the very beginning of the question.

Unidentified Participant

What's the internal value-add from an internal perspective for LeanLogistics, for Brambles or for CHEP given you guys are already using online auctions and everything else?

Tom Gorman - ***Brambles - CEO***

I think that you might be drawing some incorrect conclusions. Dan will help here but online auctions is one tool that we actually have shown you last time we were together in Madrid. But what Dan offers in terms of TMS goes well beyond that and the key move that we made some months ago now was taking Enrique and making him part of Lean directly. So we're going well beyond simply cost reduction and efficiency ideas around online auctions. But, I don't know Dan if you want to just expand on that?

Dan Dershem - ***LeanLogistics - President and CEO***

Yeah, when the US implemented our tool the savings that they saw were consistent with all of our other customers that we put up here. The auction, as Tom said, really is one component of acquiring capacity and that should typically, at least in the US it's about 12% to 15% of your volume. The majority you're looking to procure in more of a contractual basis over time. So the majority of our customers are looking more in terms of how they work closely with the carriers to figure out who has the assets in the right location at the right time therefore the rate's better.

Unidentified Participant

In terms of CHEP's transport costs relative to its sales, I mean would this be a major driver in bringing that down?

Tom Gorman - ***Brambles - CEO***

Well yeah and that's actually what Dan showed on that last slide of his. He showed the number of people, there are 500 logisticians on the CHEP side versus 120 in the Lean side and we showed kind of what our total buy was. I think the number we showed was $650 million.

Dan Dershem - ***LeanLogistics - President and CEO***

$650 million.

Tom Gorman - ***Brambles - CEO***

So that is a buy that's internal today globally. Now we're not going to be able to attack every bit of that because the focus has been to start in North America but clearly that's a big opportunity for us. As I said, we really have the beautiful opportunity to use Lean as an internal resource for us to bring all the benefits that Dan and his team bring commercially to external customers. So that all becomes building blocks for - and I've said this repeatedly as well, that three to 3% to 5% of annual efficiencies that you have to drive on our total operations cost, both logistics and plant.

So Dan's a key player in this going forward for us and that's why he's got this role as really the leader for the logistics effort within our company.

Unidentified Participant

Just a quick question on auto again. Can you just provide a bit of a feel as to what the average cost of an auto crate is?

Kevin Shuba - ***Brambles - Senior VP Customer Development***

It depends upon the size. There are some that are in the $5 range, there are others that are going to be in that $30 to $40 range. It really depends upon which type of container you're doing and whether you're doing some of the big cubic containers or you're doing the small hand held crates.

Tom Gorman - ***Brambles - CEO***

Again it depends a lot on the componentry --

Kevin Shuba - ***Brambles - Senior VP Customer Development***

Yeah.

Tom Gorman - ***Brambles - CEO***

-- so if you have small attachments, so think nuts and bolts if you will that when you're in an automotive assembly point they're actually very small crates. They're presented side of line, they're tilted towards the operator. All the Lean stuff that Kim was talking about, that all exists in automotive plants. When you go to some of the bespoke packaging it's quite a bit more --

Kevin Shuba - ***Brambles - Senior VP Customer Development***

Yeah.

Tom Gorman - ***Brambles - CEO***

-- than the $30 or $40 range. But again that's stuff that we do on a bespoke basis with our customers so it is quite a range of assets that we have.

Unidentified Participant

Just a follow up question, are you able to provide a bit of a feel for how that's skewed, so the average, like are you doing more nut and bolt type crates or are you doing more heavy end sort of crates?

Kevin Shuba - ***Brambles - Senior VP Customer Development***

The majority of the crates tend to be the ones that are moved through the assembly line so it's going to be more of the hand held smaller ones that you're utilizing. I mean the larger assemblies like steering wheels and those types of things are moving in a larger crate but it tends to be the smaller ones that you're utilizing.

Unidentified Participant

So the average or the pallets, the crates that you're putting into a standard OEM for example is it a similar mix?

Kevin Shuba - ***Brambles - Senior VP Customer Development***

Well it depends upon - by vehicle they're doing. We use industry standard sized containers so these are ones that are known to the industry. I mean depending on the OEM they may use four different sizes, they can use up to 17, 18 different size containers but they are standard industry ones except as Tom mentioned. Some of the bespoke stuff you're going to be a little bit different but it's the benefit of pooling again which is you're going to use industry standard sizes that are known within the automotive industry.

Tom Gorman - ***Brambles - CEO***

I think the other thing that Kevin touched on is sort of how one can look at the penetration in automotive. I think we quoted a number of $46.

Kevin Shuba - ***Brambles - Senior VP Customer Development***

About $46.

Tom Gorman - ***Brambles - CEO***

Per vehicle. I think the rule of thumb is if you get $50 of packaging. So what you're thinking about is the total cost of a vehicle. Pick a number, it depends on the size of the vehicle obviously, but let's say $8,000 to $10,000 is the cost of a vehicle and then you say to yourself well what is packaging as a percentage of that. We shared with you some numbers that showed 2%.

Kevin Shuba - ***Brambles - Senior VP Customer Development***

2% for intercontinentals.

Tom Gorman - ***Brambles - CEO***

In terms of intercontinental flows, domestically maybe it's a little bit lower. So you want to try to get a couple of things. You want to get your penetration of the packaging within the vehicle to go up and $50 is where we are in Europe but that's not the same penetration that we have in other markets.

Kevin Shuba - ***Brambles - Senior VP Customer Development***

No, we're higher in some markets, we're lower in other markets.

Tom Gorman - ***Brambles - CEO***

So it's sort of like lane expansion for CHEP actually. We have the vehicle now how do we get as much of the packaging as possible? So as a rule of thumb that can give you kind of a direction of what this could be for us in the long run if you just look at the number of vehicles around the world. Maybe what we'll do is we'll take one more question on this section and then I might move to wrap up and then we'll close with some Bramble comments. So, any more questions to Dan, Kevin or myself?

Unidentified Participant

Kevin, I've just got a couple of questions. In terms of - I think what you're saying is that the opportunity for the US is based on much higher intercontinental flows back and forth from Europe because this has been a large opportunity which has been available from CHEP so I'm just a little bit unclear as to why it's all happening now given what's happened in the US currency over the last 12 months. Just a second question, I take it the containers used in Europe are going to be reasonably similar in terms of what can be used in the US for the strategy there which will create large synergies for CHEP.

Kevin Shuba - ***Brambles - Senior VP Customer Development***

I'll answer the container one first which is that yes, the containers are similar size. They're industry standards that are used within Europe. There're actually industry groups both in Europe and the United States that set some of the standard container sizes and they talk quite a bit between each other. So there is standardization.

To the first question the opportunity in North America is both domestic and intercontinental. Let's focus first on the domestic piece. When you think about where the US business is at in its evolution, we've been around in the United States for 20 years, so the main emphasis of the United States team was to grow the pallet pooling business because that was our core business. So that's what we did. We spent our time and effort to grow that business in the core pallet pooling business.

Now we're at a stage in the evolution where we're looking at other product areas and the automotive industry right now is going through some tremendous change as Tom had said earlier. The Global Financial Crisis has caused them to look at more outsourcing and to look at freeing up capital. So it's provided us with an opportunity and a window here to look at that space and because we have businesses in other parts of the world, whether it's Europe or Australia, we're known to these folks. So it's given us an opportunity to enter the space.

Tom Gorman *- Brambles - CEO*

Maybe I'll just make one final comment on that and then we'll break to the conclusions. I think that actually Karen kind of laid this out quite well in terms of the evolution of our businesses around the world and I think you could see it really well with where Mike's business is. As CHEP has started, my understanding of how we built businesses, we have focused very well. We've been a very focused company on the pallet business and we've grown that business successfully in many, many markets around the world.

If you step back and you say where our penetration is strong in certain markets, so Canada, the UK, Australia, South Africa, what happens when you've then moved and you've gotten a strong position there, in order to continue to grow, in order to continue to drive value with the customers you begin to diversify your platforms over a larger series of offerings. I think you saw that in our earnings release where we juxtaposed the US market with the Australian market and you could see that where the opportunities were the US had been very, very keenly focused and had done a great job over the last 20 years.

What we're saying now is that the business maturity is at a level where it is the time to start looking at some of these other opportunities. There are opportunities where the competitive forces are lower, we have the intellectual property to deliver in that space, we think we have the leadership to deliver in that space so it lines up very well for where we are in our trajectory as well as in terms of our core skills. I'm going to cover actually a little bit more of that and give you some insights into what we're trying to do as a company now.

So with that maybe I'll thank Kevin and Dan and let them get to a more relaxing spot and then I'll just sum up and then as I said I'm still happy to take more questions. The plan was really to kind of wrap it up in the next half an hour or so and I just have a few prepared slides and then we'll go from there.

So let me just recap a little bit from my perspective now, 10 months into the job of leading Brambles. What did we try to accomplish and what has been accomplished over the last 10 months or so? First and foremost I think any leader, no matter what position you come into in a company - and you've seen this around our company and you've seen it in many other companies - the first thing is you want to get the leadership team together and settle the organization down. Making changes, particularly CEO changes are never easy.

You've seen good transitions, you've seen rough transitions but it is a transition and by definition it is challenging for a team to have to accept new leadership and new direction. I'm pretty pleased that we were able to do that relatively quickly. We made a couple of big changes. Clearly Greg is an enormous asset to our company. We replaced me if you will at the EMEA with an outsider and Dolph has really hit the ground running extremely well. We've moved some people around internally, Peter coming to Asiapack, clearly Kevin's new role is very important to us, Jasper's new role and elevating Jim in the organization so a good mixture of some outsiders but also bringing people up from within.

I have to say within the first 90 days that was pretty much in place. It took us a little longer to get Dolph on board. We identified him early but getting out of Dell just took a little bit longer than we maybe would have liked. But we were in good hands at the time Peter remained in Europe. The team is now together and I feel good about where we are.

We also established our priorities pretty quickly and that's not to be - you can't under-state that. We had to quickly say this is what we're focused on and this is how we're going to go. The priorities also go to behavioral priorities and I use a word that nobody understands but me but this idea of putting a cadence in place or a rhythm, we all like predictability. Good or bad, if it's predictable at least you know how to react to it.

What we're trying to do as a leadership team is to create that sense of rhythm in the organization and that rhythm goes to monthly operating, detailed operating reviews, quarterly in-market reviews, executive leadership team meeting get-togethers, leadership communication, video broadcasts, communicating to all of our people. All of that stuff is important. It's not seen externally but it helps us establish a rhythm and a discipline within the organization.

The fourth point here is extremely important to us and it could only come after the first three were in place and that is about putting a more rigorous strategic process in place. To that end Greg has done an enormous amount of work over the last four or five months in putting that rigorous structure and discipline in place. But it hasn't just been done from Sydney and I think that's something that's important to understand. This isn't that Sydney has now said go do this or this. We've had massive involvement at every operating level and every operating company.

So whether that be the Recall team, the Asiapack CHEP team, the Americas, the EMEA, literally hundreds of our employees have been involved in developing our strategies over the last several months. That has led us to more disciplined discussion now, a more confident discussion I would say, about the growth opportunities. So we've had several questions about why now? Well now is the right time to start talking about this because we've done the work and we've done it in an orderly disciplined fashion.

If I had taken the job and in the first month said here's the strategy it would have been on a foundation that was not solid enough and again the work that the strategy team, with Greg's leadership, but the involvement of so many of our employees has been really critical. Let me just talk then about - that was sort of the behavioral things that we've done and the energy that we've put into it. So what are the results? What have delivered out of that over the last 10 months?

I think you've seen a couple of things. We continue to fund aggressively the emerging markets and that is paying dividends for us in very strong top lying growth, good margin structure and these businesses will be significant for us in the months and years ahead. We do have cost disciplines and we're delivering on our cost disciplines. I think you saw that with the Recall team yesterday, particularly on the SDS side. When the market dropped for them they took action and they took aggressive action.

The quality improvements which have really been the fundamental, one of the core messages over the last couple of days. Better product, ease of doing business and changing how we go to market. That's been very important. But with all of that we've inherited or I've inherited a business that is a very strong business and I think you've heard from every new member of the team, when they learned the model they were impressed.

So whether it be a new person that we bring in at a relatively junior level in our company or Tom, Karen and others have said wow this is a very interesting model and I think you have a great business. It's stable, it's resilient even in the volatile market conditions that we have had our performance, we believe, has been very, very strong, particularly if you see what we were able to do in the second half of FY10. Of course our balance sheet remains very strong and our cash flow is positive.

The balance sheet again was strengthened by our ability to tap some new sources of funding and I think you're all familiar now with the 144A bond that we issued or the bonds that we issued into the 144A market earlier this year. We've also talked more about our core strengths and I think you've seen that in every phase of the business. For a company of our size we have an impressive global footprint. Slightly larger than US$4 billion in revenue and I think we're in 47 countries and that is something that we need to exploit and take advantage for the benefit of our customers more going forward.

But the power of that global footprint is based on the very strong local network and the best example of that is what Kevin was really getting at is that before you can really build international flows in the automotive space you have to have a strong local position in the major automotive capitals of the world. We have a good footprint in Europe, we need to build this footprint in the US and we need to continue to build it in China which is clearly going to be an automotive center for many, many years to come. Then you can start leveraging the global flows.

The intellectual property that we possess as a company is truly impressive. We don't often talk about it and many people think of us as the pallet guys or the warehouse guys. It goes well beyond that. The level of innovation that you would have seen out at Recall yesterday. The intellectual property that we possess within CHEP. Dan I think brings that out the best because he's a relative new guy and he sees it for what it's worth and maybe in some ways, an asset that as the CHEP team we've under-exploited that in the years in the past. We now are really coming to grips with what we have.

Our franchises with our customers are deep, long lasting and they continue to be very strong. Every company stubs its toe from time to time with its customers but as I spend a lot of time on the road talking to our customers, they want us to be successful. They've seen us as an innovator in markets and they want us to continue to innovate and their bias is to work with CHEP. That's an enormous amount of goodwill that we continue to build on and we can grow our business forward.

Then last but not least our financial position allows us to stand tall with our customers when they want to grow. So Wal-Mart wants to go into a new market and they want our support. We can do that. Unilever, PNG in Turkey, we can be there with them to grow their business and that comes from the great financial position that we have. So now, what are we going to do from here? What are some of the key messages that I would like to leave you with from a Brambles' perspective but particularly among the two businesses that we've talked about over the last couple of days?

First of all on the CHEP side. We are going to continue to focus on our customers and innovation. We are going to continue to deliver against the Better Everyday program. We didn't talk a lot about it today but in terms of listening to our customers in a different way, I think Dan described it really brilliantly - two questions. Would you recommend us and would you renew? I mean that's basically what a net promoter score is.

We're shifting how we ask questions to our customers and how we get to really measure loyalty versus satisfaction. That's well and truly in place in the US already. Kevin's driving that globally across the Brambles team and you saw - Tom has just given you one example of what we're doing on the test track and he eluded to the IDO stuff we're doing as well. Strengthening the US operations is key to us and the CHEP side of the business. It is our biggest business unit. It is the one that we've put a lot of human and financial capital into and we're heading in the right direction but we can't take our eye off the ball there.

At the same time we want to grow the business. We clearly I think explained to you know the reasons why SME makes sense, what the value proposition is and Karen and her team will continue to work aggressively there. I'll talk on this a bit more but we want to expand the circle of influence particularly in the US to start with and to that measure we announced an advisory board that's now in place for our businesses in the Americas and I'll give you a little more insight on that in a moment. But expanding our circle of influence in this market is very important to us.

Product and platform diversification we touched on that with automotive. Lean I think we've now taken Lean out of the box to some degree and we've shown you a little bit about why we're so excited about Dan and his team. Then the international flows, this is something that's going to come over time. As I said we have to build stronger presence and then we can really access these flows but that opportunity exists there for us.

The Recall message maybe is a little bit simpler here but grow the core. Paper's not going away. I think you've gotten that message. I think you saw a lot of paper in the last couple of days. But also extending the offering and that means - the digital question is a big question for us and how we continue to sort of build the bridge between the physical and the digital world.

In the Americas the immediate opportunity is again accelerating SME and that's particularly on 4840, the domestic automotive business in the US, Lean are growing internationally which is already underway and then the core product expansion of Recall. The midterm opportunities is really to use this emerging domestic footprint in automotive to really participate in the large international flows that exist.

Talking about different sized pallets and I think we touched on that. Mike clearly talked about that in terms of half sized pallets in Canada but I think Karen also gave you an insight into that just walking through the DC yesterday. There are many opportunities. We just need to make sure that the size of the prize there makes sense for us as a pooler.

Expansion of the container and crate business and then last but not least of course Recall touched on this when they talk about BPL but it really is providing new service offerings and developing deeper relationships with their customers. There are a lot of circles on this chart but what I wanted to make clear to you here is that when we come to the CHEP side Jim has responsibility really for driving the pallet business if you will. So the SME strategy, all the work that Mike has got underway and what we talked about in terms of Latin America with Arturo, that is really under Jim's leadership.

On the other side of the coin however is separate from Jim and that's what we're driving with Lean, that's what we're driving with automotive and as we look at other platform initiatives that will be outside of Jim's responsibility. Clearly staying focused on continuing to deliver Better Everyday and driving growth in our core business is where the Americas team is going to keep their focus. The US Advisory Board really sits in the middle here in terms of helping us tactically and helping us on an influential side.

So let me just touch on the advisory board. We announced this I think Thursday morning in Australia. We've appointed two outsiders. The first is Rodney Slater. Rodney is the former US Secretary of Transportation, he's got deep knowledge of transportation in the United States, he has the gravitas, he has the understanding of policy and how policy matters work and he's going to be a great resource for us. That's Jim Elton in the Americas in terms of helping us understand a little bit better at a more granular level how we move initiatives forward in this market.

Second, daringly John Claringbould has agreed to come on our advisory board in the US as well and John has a long career with Mars and he brings a couple of things to us. He brings the understanding of what it is to be a food manufacturer and Mars is one of the best and he also has a strong understanding of the legal and regulatory environments in the United States. He has a strong understanding of business in China as well. Throughout his career he had exposure there. So I think those two individuals are going to be very strong partners for the Americas team.

As we've announced, we're looking at adding up to two more external appointees. We don't want to get the table so large that not everyone gets a chance to speak but we think that one or two more with some specific skills will be quite helpful to us. As I said, the role of this group is really just to help us tactically and operationally. Clearly from a customer relationship side these guys have deep and broad customer relationships which we think we can leverage. Then on government policy matters there's no question that they know their way around the halls of power in this country and can be very helpful to us.

Last but not least is the more outside influence we can get, this desire of ours to become what we were and to go back to our roots as a very innovative company, I think they'll help us there as well. I won't repeat this because I think Karen did a very good job of this but just to remind you of the size of the prize in CHEP US. This is a combination of slides that we released doing our earnings a few weeks ago but you can see that 100% of the USA business is in the 20% of the market. So this is why we think that we have so much opportunity to diversify and grow and the time we believe is now.

We've got it organized properly and we don't think it's a distraction the way we've structured this but clearly the opportunity is large and we've proven we can do this in other markets around the world. So that's it for me really. A relatively quick summary and I guess Greg is here as well so if there are any further questions that you have across anything that you've seen over the last two or three days, the Recall team isn't here but Greg and I'd be happy to take any questions from a Brambles perspective or anything else that you want to comment on or make any comment on we'd be more than happy to take your questions.

Before we do that though, I just wanted to thank a few people. This is the second time I've done one of these investment market briefings and many of you have complimented me on the logistics over the last couple of days and believe me, I had nothing to do with it other than a minor threat now and then I must say. But there're a large number of people that have really spent a lot of their life over the last couple of months making sure that this stuff goes off flawlessly and I'd like to just thank them at the moment. But on the CHEP side clearly Melissa, [Prov] and Katie have been fantastic in terms of all of the work that you've put in and as I think several people have said these guys all have day jobs and they take this on over and above that so did a really fantastic job making sure that everything has gone flawlessly.

On the Recall side [Lee] and [Tanya] they're not here now, they've left but we'll make sure that we thank them as well. On the Brambles side, clearly Louise has been fantastic in terms of making sure all of your arrangements went off flawlessly and again these are people that you tend not to see and you only notice things if they go wrong. To my knowledge, assuming that everyone gets home safely, thus far everything has gone brilliantly so just on behalf of the whole group here thanks very much guys, I appreciate it.

(Applause)

Okay, so maybe now we'll just open for questions again, anything on your mind and we'll be happy to spend the amount of time that you'd like. We've worn you down. Maybe we're done. I have a few questions for Mike actually but we'll talk about that later. Nothing? If there's nothing I'll just take it as - okay, well look that maybe a sign that you're either worn out, it was a big night or we've actually answered your questions so I'm going to assume it's the latter.

Again, on behalf of the whole Brambles organization of which you've only seen a slice of it over the last three days, thanks for your support for our company. Investors obviously we work for you and thank you for your continued support and thank you very much for making the contribution in time and effort over the last couple of days. Thank you.

(Applause)

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