



# Kimberly-Clark Australia

## Pulp & Paper Operations and Local Communities



An analysis of the proposed CPR Scheme's potential impact on employment and the local community



# KCA - South Australia Operations



# KCA: A Residual Wood User

- KCA makes 65,000 tonnes of pulp per year from wood residues
  - *85% used internally – 15% sold externally*
- 400,000 tonnes of wood per year from local pine forests
  - *100% through Forestry SA*
    - *75% from Forestry SA plantations*
  - *First and second thinnings sent to Tantanoola Pulp Mill*
- 100% of all wood supplies from certified sources
- The only regional user of large quantity of thinnings

# KCA: >95% of Tissue Production for Domestic Use

- Toilet paper, tissues and hand towels for Australia and New Zealand

2007 - 17.5 million cases of product  
 - 24,000 tonnes of 'Jumbo or hard rolls'

- KCA Australian Market-share Value(\$)

- Facial 52%
- Toilet 31%
- Towel 46%

- Brands include Kleenex, Cottonelle, Viva, Wondersoft and 'Thick & Thirsty'



# KCA: A Major South Australian Employer

## Direct Employees

- 640 direct employees in South East SA
  - One of the largest employers in the Region
  - A large private sector employer for SA

## Indirect Employees

- 830 indirect jobs in region (Multiplier of 2.3)
  - Independent economic analysis\* demonstrates a very high multiplier effect because KCA:
    - Invests and buys locally
    - Wood comes from close to mill
    - 'Tight' regional community

\* REM PLAN MODEL, La Trobe University, Analysis by Dr Bob Smith

# KCA: Committed To Sustainability

**Environmental and social sustainability is certified:**

- ISO 9001 accredited
- ISO 14001 accredited
- All imported pulp fibre is certified by PEFC
- 100% of all wood supplies from certified sources.
- Self-insured under WorkCover Scheme in SA

# KCA: A Continual Investor

## See the last decade.....

AUD \$ million

2008	Warehouse	Increase Capacity	8
2008	ROLF	Increase KCP Converting	6
2007	ROLEX	Increase UCTAD Converting	32
2007	ROGUE	KCP Converting	8
2006	KCP Folders 1, 2 and 3 (PROTON)	KCP Converting	29
2005	Finished Goods Dock Expansion (COLD)	Increase Freight Docks	6
2004	KCA5 – UCTAD Facility (ANSWER)	TM and Converting	226
2003	High Voltage Distribution Network (RODA)		5
2002	KCC Buy Out	Increase in Asset Values	
2002	New Woodyard (WAT)	Increase Capacity	10
1999	Pitch Elimination Project (PEP)	Tantanoola	8
1998	Colour Printer	Startup	5
1997	Multifolder Facial Tissue line	Startup	15
<b>TOTAL</b>			<b>\$360m</b>

# KCA: A Continual Investor

## And the Years Before.....

<b>1993</b>	<b>No. 6 Boiler</b>	<b>Converted from Coal to Gas</b>
1992	Tantanoola Pulp Mill	Start-up
<b>1989</b>	<b>Hydrogen Peroxide Bleaching</b>	<b>Replaced Chlorine Bleaching</b>
1988	Tissue Machine #4	Start-up
1983	No. 6 Boiler	Start-up - Coal Fired
1977	Thermo-mechanical Pulp (TMP)	Start-up
1973	Tissue Machine #3	Start-up
1966	Tissue Machine #2	Installed Chlorine Bleaching
1964	Conversion Toilet Tissue	
1960	Mill Start-up	Tissue machine #1 and small pulp mill

# KCA has a long term commitment to reduce energy and water use



- Total combined freshwater usage has **halved** in past 10 years
- Energy use has **reduced by 15%** since 2000
- **30%** of KCA's total energy needs provided by renewable bio-energy

# The Pressures on KCA

## Imported product

- Increasing as Asian tissue production increases
- Sourced from countries with ***no cost of carbon!***
- Costs often subsidised by governments
- Fibre sourcing often ***unsustainable***

## Supermarket chains

- 'Private label' brands rampant and increasing
- Often imported ...over 60% of total Private Label in one case

## Carbon Pollution Reduction Scheme

- Increased costs

# How the proposed CPR Scheme will affect KCA

- **Purchasing emissions permits will increase costs with no ability to pass on due to international competitors with no cost of carbon**
- **Most of our operations fall below threshold for EITE support because:**
  - Revenue denominator is a poor measure – we have low margins
  - No recognition of use of renewable energy
- **Our international competitors do not have these costs and if we do not receive EITE support, we will be under more pressure**
- **Worst case?**
  - Fall below investment thresholds = no new investment and gradual decline of operations
  - Full shut down – job losses – imports – damage the forestry value chain in the region

# KCA: Contribution to the Community

## Independent economic analysis\* demonstrates the current impact of KCA in South East SA:

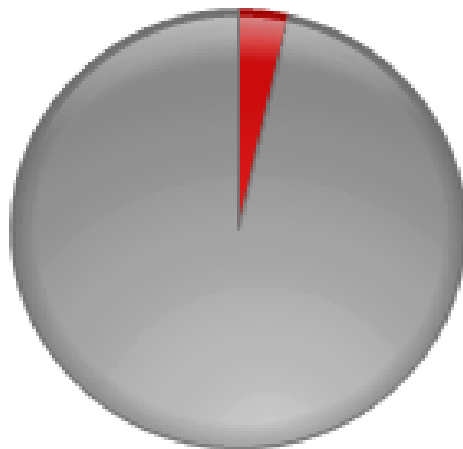
- 1470 jobs in South East South Australia ~ 6.3% of total regional employment
  - 645 direct
  - 300 indirect (services and suppliers)
  - 530 regional flow on effect
- \$135 million of wages and salaries per annum ~ 14% of total regional incomes
  - \$90 million direct
  - \$20 million indirect (services and suppliers)
  - \$25 million regional flow on effect from household consumption
- \$840 million of total economic activity per annum ~ 14% of total regional activity
  - Average per capita gross regional product is \$48,500 per annum, of which over \$6,800 per year can be directly attributed to the mill.

REM PLAN MODEL, La Trobe University, Analysis by Dr Bob Smith

# KCA: Our Regional Contribution

## Significant Employment

Employment (Jobs)



**6.3% of regional employment**

Broadmeadows Mount Gambier (Aug 2008)

**But...**

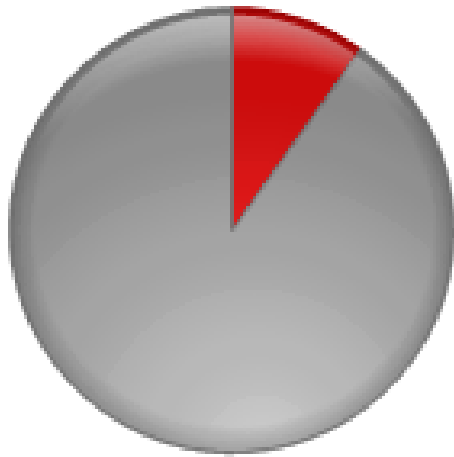
- Paper containers & products 663
- Other 17,956



# KCA: Our Regional Contribution

## Very Significant Wages and Conditions

Wages and Salaries (\$M)



**14% of wages and salaries in the region**

Broader Mount Gambier (Aug 2008)

- Paper containers & products \$97.297
- Other \$892.881



# KCA: Our Regional Contribution Output and Exports

Output (\$M)



Broader Mount Gambier (Aug 2008)

- Paper containers & products \$715.965
- Other \$3,886.636



**14% of total regional output**

Regional Exports (\$M)



Broader Mount Gambier (Aug 2008)

- Paper containers & products \$665.533
- Other \$1,714.018



**35% of regional exports**

# KCA: Contribution to the Community

## Social Sustainability

- KCA's presence in South East SA ensures there is additional employment that helps sustain the region:
  - 30 jobs in trades and services
  - 205 retail jobs
  - 15 transport jobs
  - 45 business services jobs
  - 45 education jobs
  - 40 jobs in health and community services

*What would the region be like without these services?*

# **KCA: Contribution to the Community**

## **Improved Forestry Sustainability**

- Consistent customer
  - provides stable, year round employment and economic activity
  - 50% of Forestry SA's pulp log production
- Constant, competitive market for thinnings
- Timely silviculture
  - Leading to increased production of sawlogs
  - Reduced likelihood of siren

# The Community – Without KCA

- Independent economic analysis\* demonstrates the impact on South East SA if KCA no longer operated:
  - 1470 long term job losses (827 in businesses other than KCA)
    - 6.3% permanent employment reduction
  - \$135 million of wages and salaries lost to region
    - 14.0% permanent decline in community wages and salaries
  - \$840 million of economic activity lost to region
    - 14% permanent reduction in 'value added' in region
    - Average per capita gross regional product falls to \$42,221 per annum

*KCA's ongoing survival is vital to the region!*

\* REM PLAN MODEL, La Trobe University, Analysis by Dr Bob Smith

# KCA: Its Needs From The CPR Scheme?

- **Recognition** of KCA's realities:
  - fully trade exposed and cannot pass on costs
- **Transitional Support** because of trade exposure regardless of emissions intensity:
  - Part of the scheme should include a 'trade exposure' measure for compensation
  - Measure "Emission Intensity" using 'value added' rather than 'revenue' measure – more accurate

*We want to continue to support our people working and living in the South East using a renewable resource*

# What KCA Millicent and Our Community Needs

*We can continue to be a net contributor to  
Australia's emissions reduction efforts, providing  
there is a level playing field*

*KCA Millicent is a regional, renewable industry  
sustaining employment for 1,500 families and  
helping make our community great*