

The New Tax System Public Compliance Commitment

**Toll Holdings Limited
A.C.N. 006 592 089**

June 2000

**Toll Holdings Limited
Level 8, 380 St Kilda Road
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**TOLL HOLDINGS LIMITED
NEW TAX SYSTEM PUBLIC COMPLIANCE COMMITMENT**

Commitment

This Commitment records the commitment by Toll Holdings Limited and its subsidiaries identified at the end of this document (collectively “Toll”) to:

- comply with Part VB of the Trade Practices Act 1974 (the Act);
- not engage in price exploitation (within the meaning of section 75AU of the Act) in relation to the New Tax System;
- apply the Price Exploitation Guidelines (March 2000) (the Guidelines) issued by the Australian Competition and Consumer Commission (ACCC), where applicable;
- pass on to its customers any net cost benefits realised as a result of the New Tax System changes in accordance with this Commitment;
- advertise and display its prices in a manner which is not misleading or deceptive within the meaning of the Act; and
- ensure that Toll has an effective GST compliance program in place.

Cost changes

Toll expects to receive some cost reductions from the lowering and eventual abolition of wholesale sales tax and other indirect taxes and the changes expected in relation to the Diesel and Alternative Fuel Grants Scheme.

Toll will monitor identifiable cost changes which result from the New Tax System and will ensure any net cost reduction is passed on to Toll’s customers in the form of lower prices or smaller New Tax System related price rises. Where there has been a net cost increase, Toll will ensure price rises based on and arising from the New Tax System related cost change will not be greater than the net cost increase.

Impact of the New Tax System changes

Prices in the transport industry often change on a daily basis. Generally these price changes are not due to cost changes, but represent responses by carriers and their suppliers (particularly sub-contractors) to (often short-term) demand fluctuations or pricing incentives to respond to competition from other market participants.

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Toll will continue to analyse the impact of the implementation of the GST on the prices offered to its customers for the services it provides. As the business activities of Toll are diverse (e.g. full load, part load, carton and satchel freight delivered by road, rail, sea and air; warehousing and packaging services) there will be differences in the final price impacts for each of the different services. These price adjustments, whether increases or decreases, will be communicated to Toll's customers as soon as practicable.

Toll will calculate the impact of GST on its business by:

- firstly, determining whether GST is payable on services provided;
- estimating or ascertaining cost savings which will result from the New Tax System reduction in, and eventual removal of, wholesale sales tax;
- estimating or ascertaining cost savings which will result from the Diesel and Alternative Fuels Grants Scheme;
- estimating additional compliance costs which Toll and its suppliers will incur and have incurred:
 - in the transition planning period from June 1999 to July 2000;
 - in the first year of the GST; and
 - on an ongoing basis; and
- adjusting prices to reflect the net cost savings estimated or achieved through the process conducted above whilst not increasing the dollar margins that would have been achieved without those net cost savings after allowing for any other commercial cost changes which might also occur.

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Pricing policies

Toll is committed to ensuring that its customers:

- benefit to the fullest extent realised from the lowering and removal of certain indirect taxes as part of the New Tax System; and
- are not exposed to greater than necessary price rises resulting from the implementation of the New Tax System;

but will only reduce prices to the extent that it realises actual cost savings from its direct inputs and suppliers.

In particular, a significant component of Toll's cost base is constituted by payments to sub-contractors for transport services, such as long-distance linehaul and local distribution.

Toll has been engaged in comprehensive discussions and communications with its subcontractors and the Transport Workers Union about the impact of the New Tax System on sub-contractors' costs and the extent to which savings should be available to flow back to Toll (and then to Toll's customers).

There is still considerable uncertainty about the extent of New Tax System related cost reductions that will be realised by Toll from reductions passed on by sub-contractors. Recent demands by the Transport Workers Union for improved wages and conditions, accompanied by industrial action, are also clouding this issue.

Toll will continue to engage in discussions with its sub-contractors and the Transport Workers Union about the effects of the New Tax System. Toll has been keeping the ACCC informed of this situation as it develops and seeking its guidance, and will continue to do so.

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Toll's prices will be reviewed again as at 30 September 2000 during October/November 2000 (the September Review) and any further appropriate adjustment to prices will be made shortly thereafter in line with this Commitment to ensure that any further New Tax System related cost savings realised by Toll at that time are passed on to its customers.

Implementation and compliance costs

In assessing the net effect of the New Tax System on its costs, Toll has included, and will only include, the implementation and compliance costs reasonably incurred and directly attributable to the introduction of the New Tax System. Toll will offset any compliance cost reductions from the removal of the previous tax system.

Customer information

During the implementation of the New Tax System, and particularly the introductory phase, there will be a range of issues that require communication to Toll's customers. Toll has been communicating and will continue to communicate to its customers in such ways as it considers reasonable on an ongoing basis any GST information or decisions which impact its customers. Most information will be distributed via Toll Customer Service Officers.

Price displays

Toll will display or otherwise make known to its customers the prices for its services in a manner which is not misleading or deceptive. Prices for services to be supplied by Toll to unregistered businesses and consumers on or after 1 July 2000 will be displayed or otherwise made known inclusive of GST.

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Prices for services to be supplied by Toll to its GST registered business customers on or after 1 July 2000 will be displayed in one of the following ways:

- (a) price inclusive of GST together with a statement which confirms that the price includes GST;
- (b) price exclusive of GST together with the amount of GST shown separately;
- (c) price exclusive of GST together with a clear statement that the rates are exclusive of GST or
- (d) price exclusive of GST together with one of the following expressions:
 - i. “plus GST”;
 - ii. “plus Tax”;
 - iii. “+ GST”; or
 - iv. “+ Tax”.

Toll’s standard terms and conditions will make it clear that any of the expressions listed at (b) to (d) above should be interpreted to mean that GST will be added to the GST-exclusive price shown at the flat rate of 10%.

Implementation and compliance program

Toll has comprehensive compliance and customer management programs, which are being extended to cover the New Tax System. Toll has embarked on a major project to prepare for the introduction of the New Tax System. This project is known as the GST Project and is responsible for overseeing Toll’s implementation of the GST.

Activities of the GST Project are supervised by a Steering Committee comprising senior executives. Toll has appointed a Project Director who has managed the GST Project on a day to day basis and coordinated the activities of a number of work groups. There are nine main work groups concentrating on issues relating to technical and compliance issues; pricing; capital expenditure and purchasing; subcontractors and industrial relations; customers; contracts; IT; finance and cash flows; and strategies. These work groups are supported by a Project Office. Divisional teams undertake the work required for each work group in each of Toll’s businesses.

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The key GST Project objectives are to:

- ensure Toll is GST compliant;
- ensure savings realised from the removal of existing indirect taxes are reflected in pricing;
- establish business rules for the application of the GST to transactions;
- make necessary changes/enhancements to systems to enable them to apply, track and correctly account for GST;
- ensure all affected staff are aware of the GST and its impact on their activities; and
- report on GST implementation progress to Toll's Executive Management on a regular basis.

Toll's GST Project planning has been developed in consultation with KPMG. As part of the GST Project, KPMG has conducted on-going quality assurance assessments during the course of the project.

Complaints handling procedure

Toll already has a comprehensive complaints handling procedure, which ensures customer complaints are handled quickly and appropriately to ensure customer concerns are addressed. Toll's Customer Service employees will receive additional training on the way Toll has implemented the New Tax System and on Toll's obligations under the price exploitation provisions of the Act.

Training

As well as training for Toll's Customer Service employees, Toll will provide specialist GST compliance training to employees in areas particularly impacted by the New Tax System (such as pricing and marketing) and will incorporate training on the price exploitation provisions of the Act into its training program.

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Reporting procedure

Toll will provide to the ACCC during December 2000 a confidential report in a format agreed with the ACCC at the time of this Commitment, in relation to the calculation of the New Tax System related price changes that have been implemented after the September Review. If requested, Toll will thereafter provide the ACCC for the years ending 30 June 2001 and 2002 with:

- a confidential report, in the same format as agreed above, of any material New Tax System related price changes identified after the release to the ACCC of the initial report in December 2000
- copies of its half-yearly announcements to the Australian Stock Exchange and
- copies of Toll's Annual Reports.

Liaison with ACCC

As part of the Toll commitment to comply with the legal obligations of the New Tax System, a liaison officer has been appointed to be responsible for providing information to, and being the first point of contact for, the ACCC regarding this commitment.

Price changes


Where Toll implements price changes during the New Tax System Period, Toll accepts that it may be required by the ACCC to demonstrate that the price of the relevant service is not unreasonably high having regard alone to the impact of the New Tax System changes, Toll's costs, supply and demand conditions and other relevant matters.

Toll will continue its consultative process with the ACCC regarding its obligations in relation to compliance with part VB of the Act and in other matters to ensure Toll meets its corporate citizen responsibilities as contemplated by the price exploitation provisions of the Act.

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Confidentiality

Unless specifically stated to be non-confidential, all appendices and schedules to this Commitment and other information supplied by or on behalf of Toll to the ACCC are confidential and commercially sensitive to Toll and will not appear on the Public Register or be otherwise made available to the public.



**Paul Little
Managing Director
Toll Holdings Limited
29 June 2000**

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Toll Holdings Limited group of companies

This Public Compliance Commitment covers all wholly owned businesses in the Toll Holdings Limited group of companies.

- Toll Holdings Limited
- Toll Transport Pty Ltd
- Toll Stevedoring Pty Ltd
- Hollandia Holdings Pty Ltd
- Toll Recycling Pty Ltd
- Freshmark Limited
- Toll Properties Pty Ltd
- Kentucky Woods Pty Ltd
- Refrigerated Roadways Pty Ltd
- Refrigerated Roadways (NSW) Pty Ltd
- Toll Logistics Australia Pty Ltd
- Toll Energy Logistics Pty Ltd
- Toll North Pty Ltd
- W&M Meats Transport Pty Ltd
- Carpentaria Environment Services Pty Ltd
- Malleys Transport Pty Ltd
- DT Queensland Pty Ltd
- Toll IPEC Pty Ltd
- Geelong Port Pty Ltd