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Transpacific outlines financial impact of heavy vehicle fleet grounding

Transpacific Industries Group Ltd (ASX:TPI) today provided an update on the expected financial impact of its decision on 19 August 2014 to ground its heavy vehicle fleet nationally after one of its trucks was involved in a fatal traffic accident in South Australia.

The Company commenced the gradual resumption of its waste management services across Australia on 21 August. By 3 September, all waste collection services had returned to normal. During this period, more than 2,000 heavy duty vehicles underwent safety inspections by qualified personnel and independent consultants, and the company's driver training systems were independently audited. Only when the vehicles were certified to be roadworthy in accordance with relevant regulations were they allowed to recommence operation.

As part of the independent audit and review process, as well as Transpacific's ongoing fleet renewal program, the Company retired a range of older vehicles which were either surplus to current operational requirements, being kept solely as spares, or whose age makes them no longer economically viable.

The financial impact of the fleet grounding, examination and review process on Transpacific's Earnings before Interest and Tax (EBIT) for the six months ending 31 December 2014 is expected to be in the range of \$18 million to \$20 million. Approximately \$7 million of these costs relate to repair of vehicles. The balance of the costs relate to a range of ancillary matters, such as roadworthy inspections, subcontracting costs, lost revenue and vehicle write offs.

Transpacific CEO Robert Boucher said: "The financial impact is a one-time event arising from reinstatement of the fleet. As part of our process to return the fleet to service, we are addressing our policies and procedures in relation to vehicle maintenance and road safety and are focussed on improvements in the key areas of fleet maintenance, driver training and asset management, which will improve the durability of our operations."

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