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**Public File**

6 October 2021

The Director  
Investigations 2  
Anti-Dumping Commission  
GPO Box 2013  
Canberra ACT 2601  
Email: [investigations2@adcommission.gov.au](mailto:investigations2@adcommission.gov.au)

Received 6 October 2021

Dear Sir/Madam

**Re: Continuation Inquiry 588 - Opal Australian Paper Exporter Briefing Overview - APRIL Far East (Malaysia) Sdn. Bhd. (APRIL) aka PT Riau Andalan Kertas (RAK) aka PT Riau Andalan Pulp & Paper (RAPP).**

I. Introduction

At the invitation of the Anti-Dumping Commission (“the Commission”) Opal Australian Paper (“OAP”) provided the Commission with and exporter briefing in the form of a video conference on 5 October 2021. OAP took the opportunity to provide the Commission with confidential and non-confidential attachments in support of the briefing as per the following listing.

II. Document Overview

<b>Document Name</b>	<b>Contents</b>	<b>Confidentiality</b>
1. <u>RAPP Process flow chart.pdf</u>	Overview of manufacturing process according to RISI’s Mill Asset Database.	Non-Confidential
2. <u>RISI - RAPP Mill Overview.docx</u>	Detailed report inc. contacts, production, machine info, capacity, paper/pulp, energy/consumption, equipment, fibre consumption, major investments.	Confidential
3. <u>RAPP Mill Cost Report.xls</u>	RISI’s Analytical Cornerstone cash cost breakdown for RAPP cut sheet paper production. Data relates to 2 <sup>nd</sup> Quarter 2021.	Confidential
4. <u>APRIL Ownership collapsing memo US DOC.pdf</u>	Information relating to the US DOC treatment and collapsing of related APRIL entities.	Non-Confidential
5. <u>APRIL Asian Region Cost Comparison.pdf</u>	Cash cost benchmarking comparing RAPP and other Asian Xerographic paper producers available through RISI’s Analytical Cornerstone platform.	Confidential

<p>6. <u><a href="#">Corrupt Networks in the Indonesian Forestry Sector.pdf</a></u></p>	<p>2020 paper published by the Anti-Corruption Resource Centre relating to the influence of Politics in Pelalawan, Riau. The project is funded by German International Cooperation's Assistance in Preventing and Combating Corruption in Indonesia, and in close collaboration with the Indonesian Corruption Eradication Commission. The project provides research and analysis on forestry sector corruption.</p>	<p>Non-Confidential</p>
<p>7. <u><a href="#">Indonesia Paper Tracking January 2021 V1 (1).pptx</a></u></p>	<p>Indonesian market intelligence information containing; market pricing, market and brand segmentation and trends. The pricing information covers a period between Feb 2016 to Dec 2020.</p>	<p>Confidential</p>
<p>8. <u><a href="#">Exporter Briefing - APRIL - Indonesia 26062016.docx</a></u></p>	<p>Investigation No. 341 Exporter Briefing document.</p>	<p>Confidential</p>

### III. Briefing Summary

Opal Australian Paper undertook to give the Commission a general overview of APRIL Indonesia's ownership structure, and operations referenced in documents 1 & 2. All information discussed was sourced from RISI Fastmarkets – Mill Asset database, which by subscription is available to the public, however RISI's terms prohibit OAP from sharing on the public file.

OAP's Confidential Exporter Briefing (Doc 8) was resubmitted to the Commission for reference as it contained a summary of the RISI database information. The briefing is considered confidential by OAP as it contained extensive information related to Australian sales of the exporter in competition with OAP and included pricing and tender results. As such, OAP includes in Appendix 1 the non-confidential extracts from this briefing.

OAP provided background to the Commission relating to the complex and opaque ownership structure of APRIL and its subsidiaries, including its Indonesian operations and encourage the Commission to take great care and consideration in its analysis of information provided to it by APRIL. OAP pointed to document 4 in support, which was sourced from the public record of the US DOC investigation into Exports of certain uncoated paper from Indonesia to which APRIL was a respondent. As such OAP encouraged the Commission to ensure that all associated costs incurred within the complex structure are included in its consideration of level of trade and other relevant adjustments.

Following the briefing OAP submitted along with files referenced during the conference a report published in 2020 by the Anti-Corruption Resource Centre ("ACRC") contained in Doc 6 characterised the Indonesian Forestry sector as follows:

*"In the Pelalawan scheme, pulpwood capitalists developed vertically integrated timber suppliers through fictitiously 'independent' shell companies. The case shows that corrupt networks cannot be understood apart from the political economy dynamics of the society and sector where they operate"*



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For clarity Pelalawan Riau is the province in which APRIL's RAPP integrated pulp and paper mill is operated and in which it sources its fibre from, and later names APRIL and RAPP specifically.

OAP provided the Commission with a breakdown of RAPP's Mill Cost Report for xerographic paper production from RISI's Analytical Cornerstone (Doc 3) – a publicly available subscription service (however RISI's terms prohibit OAP from sharing on the public file), which provides detailed analysis and cost benchmarking of all paper mills globally. OAP also provided some graphs and various cost comparisons (Doc 5) to support its continued contention that the particular market situation continues to impact the Indonesian copy paper market (again RISI's terms prohibit OAP from sharing on the public file). The information contained in these data and RISI analysis showed that RAPP's fibre cost is less than half of that of the average cost for xerographic paper producing mills in Asia. For clarity, RAPP's fibre cost is estimated at AU\$240 per finished metric tonne against the regional average of AU\$530/FMT (54.6 per cent lower than regional average). It should also be noted that the 'Regional Average' will include other mills which are subject to Indonesia's market situation and are pulling the average downwards, meaning that real average exclusive of Indonesia mills is likely to be higher than the reported AU\$530/FMT.

Extracts from the non-confidential files are included below.

Non-Confidential Extract 1 – Doc 3.



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**Export**

**Total Cash Cost Inc  
 Conversion (less SG&A)**

Configuration: Semi-integrated

COST ITEM	REGIONAL COST	ADJUST	MILL COST	UNIT	CONSUMPTION	TOTAL AUD	
<b>FIBER</b>							
Hardwood Roundwood	1,296,950.00	0.00	1,296,950.00	IDR/BDMT	1.390 BDMT/FMT	162.54	
Southern BSKP	960.00	0.00	960.00	USD/ADMT	0.062 ADMT/FMT	77.77	
<b>TOTAL</b>						<b>240.31</b>	
<b>CHEMICALS</b>							
Alkaline Filler	1,296,953.38	-216,973.00	1,079,980.38	IDR/BDMT	0.250 BDMT/FMT	24.32	
Alkaline Papermaking	115,284.75	0.00	115,284.75	IDR/FMT	1.000 FMT/FMT	10.40	
Other Chemicals	72,052.97	0.00	72,052.97	IDR/FMT	1.000 FMT/FMT	6.50	
Other Papermaking Chemicals	86,463.56	0.00	86,463.56	IDR/FMT	1.000 FMT/FMT	7.80	
Starch	7,205,296.50	0.00	7,205,296.50	IDR/BDMT	0.042 BDMT/FMT	27.38	
<b>TOTAL</b>						<b>76.39</b>	
<b>FURNISH</b>							
HKP - Bleaching (Bleached Grades)	455,414.38	-40,000.00	415,414.38	IDR/BDMT	0.645 BDMT/FMT	24.16	
HKP - Pulping (Bleached Grades)	117,230.18	0.00	117,230.18	IDR/BDMT	0.645 BDMT/FMT	6.82	
<b>TOTAL</b>						<b>30.98</b>	
<b>ENERGY</b>							
Coal	838,090.00	0.00	838,090.00	IDR/MT	0.242 MT/FMT	18.25	
Hogfuel	843,017.50	0.00	843,017.50	IDR/BDMT	0.030 BDMT/FMT	2.27	
Natural Gas	110,979.95	0.00	110,979.95	IDR/MCF	2.143 MCF/FMT	21.44	
Oil No. 6	42.22	0.00	42.22	USD/BBL	0.040 BBL/FMT	2.20	
Purchased Steam	122,077.95	-40,000.00	82,077.95	IDR/K#	0.015 K#/FMT	0.11	
<b>TOTAL</b>						<b>44.27</b>	
<b>LABOR</b>							
<b>#EMP</b>							
Operators	513.44	27,933.85	0.00	27,933.85	IDR/# Emp	1.342 MH/FMT	3.38
Maintenance Personnel	171.15	29,051.21	0.00	29,051.21	IDR/# Emp	0.447 MH/FMT	1.17
Exempt Personnel	128.36	55,867.71	0.00	55,867.71	IDR/# Emp	0.303 MH/FMT	1.53
Non-exempt Personnel	42.79	31,924.40	0.00	31,924.40	IDR/# Emp	0.101 MH/FMT	0.29
Annual Hours Hourly: 2,300.00		Annual hours Salary: 2,080.00					
<b>TOTAL</b>						<b>6.37</b>	
<b>MATERIALS AND MAINTENANCE</b>							
Maintenance Materials/Operating Supplies						55.42	
Contract Maintenance Materials						5.21	
Contract Maintenance						1.58	
<b>TOTAL</b>						<b>62.22</b>	
<b>SHEETED COST</b>							
Sheeting						113.99	
<b>TOTAL</b>						<b>113.99</b>	

<b>COST TOTALS</b>	
Cash Cost <b>461 AUD/FMT</b>	Total Cash Cost <b>575 AUD/FMT</b>
<b>CAPACITY</b>	
Daily <b>2,465 FMT/D</b>	Annual <b>880,000 FMT/Y</b>
Australia Dollar	CURRENCY EXCHANGE = 1.00
Regional Currency Exchange = 11,088.28	

<b>COST COMPARISON</b>	
Click the bar to navigate to mill (Not applicable for AVG) <span style="float: right;">Export</span>	

Non-Confidential Extract 2 – Doc 5.

**APRIL - Kerinci (Riau Andalan Pulp & Paper, RAPP) Mill:WFU - Xerographic >**

**Average Market**

FMT/D: 2,464.99      FMT/Y: 880,000.00

**Consumable Costs/FMT**

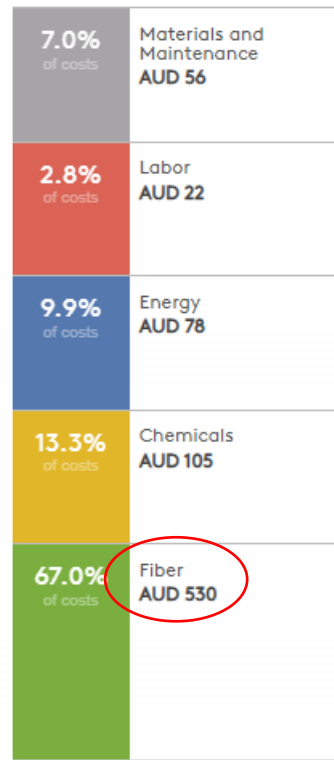
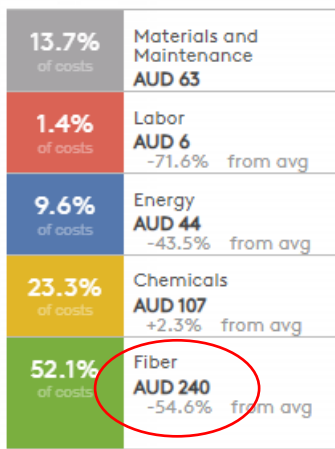
Pin Label

**Consumable Costs/FMT**

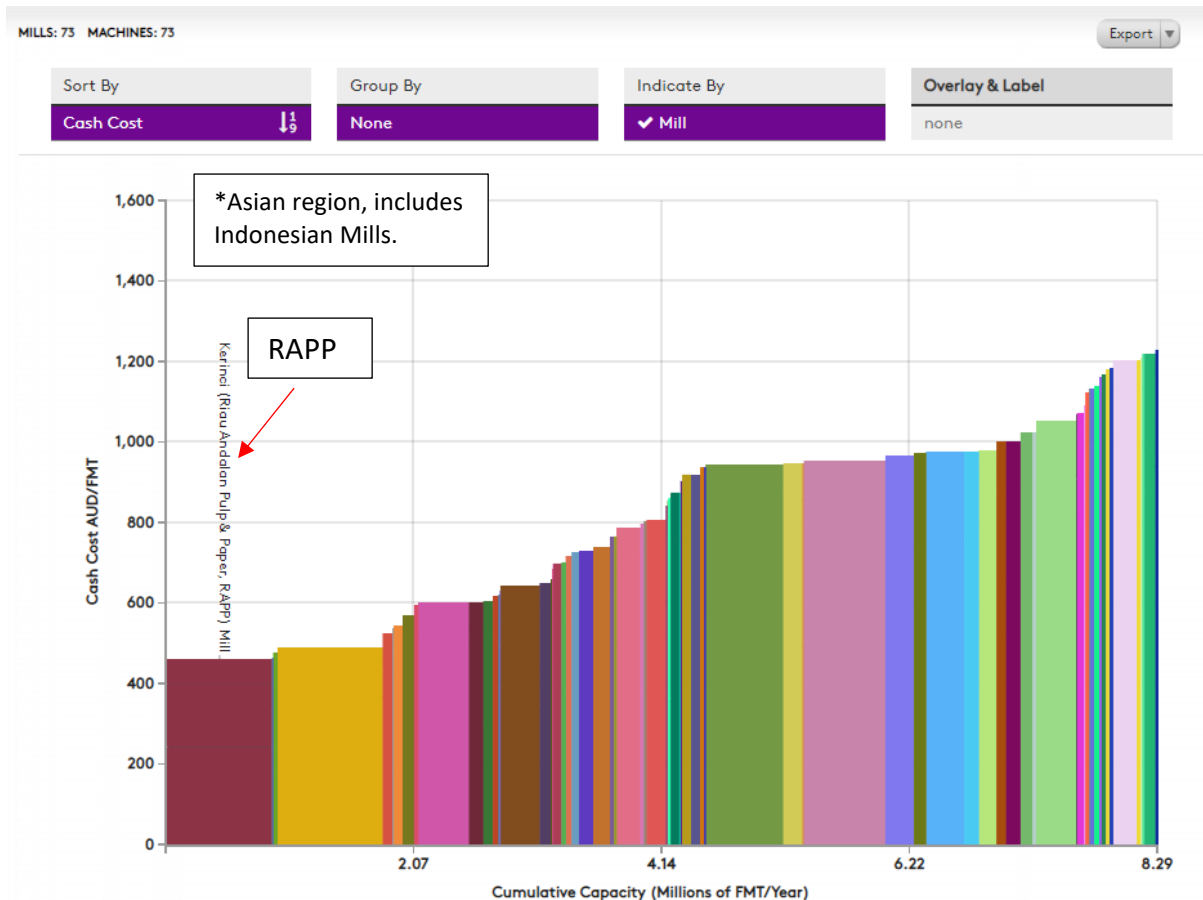
**AUD 462** -41.7%

**AUD 791**

Asian regional average total cash cost (excluding converting & SG&A) = AU\$791/FMT (includes Indonesian Mills) vs RAPP's cost of AU\$462/FMT



Non-Confidential Extract 3 – Doc 5.



The ACRC report contained in Doc 6 specifically names RAPP as a recipient of subsidies and described the subsidisation as follows:

*“The Indonesian government, anxious to promote the pulp industry, allocated over 4.5 million hectares of forest land for staged clear felling and the establishment of plantations of fast-growing hardwood, typically acacia. This entailed the creation of a new industrial plantation licence (HTI or hutan tanaman industri). Under the Ministry of Environment and Forestry’s regulations, HTI licence holders were permitted to clear the existing land of timber in order to establish acacia timber plantations for pulp. The idea was that this reserve of timber would provide a ‘bridging supply’ of wood to the pulp mills until the plantations were fully operational.*

*The HTI licences allowed the pulp industry to access wood supplies at below stumpage value (Stumpage value is calculated according to the market value of the timber (or stump) on the land), paying minimal reforestation fees and royalties per tonne. The central government also privileged the pulp industry by providing numerous capital subsidies, including borrower-negotiated loans from state-owned banks, allocations from off budget pools of finance, and favourable tax deductions.”*

*“In 1995, APRIL, operating under PT RAPP, unveiled its own integrated mega-mill in Pangkalan Kerinci, just 100 kilometres away. By 2001, with a second production line in operation, PT RAPP transformed the Pangkalan Kerinci mill into the largest pulp mill in the world. APRIL and APP argued that by operating at scale, the mills offered protection from the cyclical fluctuations of the pulp commodity market. However, scale at these proportions also*

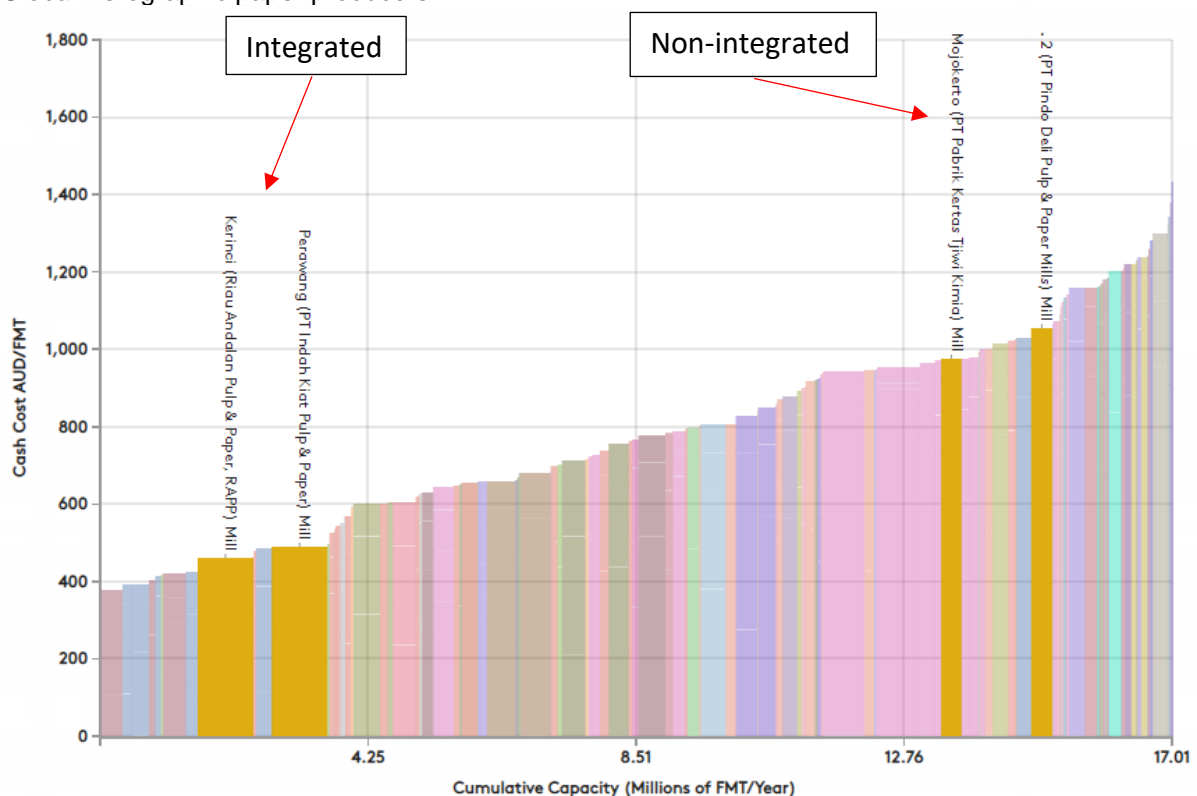
meant astronomical operational costs. In 2001, Barr estimated that running the Riau mega mills in Perawang and Pangkalan Kerinci cost an estimated \$1 billion per year. This meant that the mills would only meet their financial obligations if they functioned continuously at near capacity.

Running at scale required access to a proportionate supply of wood. Integrated pulp and paper manufacture relies on the long-fibre found in wood-based pulp, as opposed to recycled paper or straw-based fibre. Mills of this kind are heavily dependent on virgin timber. The national forestry department's new industrial plantation (HTI) concessions sought to anticipate pulp demand by converting millions of hectares of forest into areas zoned for timber plantations."

Due to the continuing impact of the particular market situation, the integrated Indonesian copy paper producers are the lowest cost producers in the world behind the now heavily subsidised Brazilian and Russian producers.

Non-Confidential Extract 4 – Doc 5.

Global Xerographic paper producers.





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Opal Australian Paper also provided the Commission with a confidential Indonesian market intelligence report prepared by PT Clarity Research Indonesia (Doc 7). This confidential report was also included with the Application for Continuation of Measures, and contained information including Indonesian market pricing, market and brand segmentation and trends.

Extract from the report included in the Application<sup>1</sup>:

*Indonesian brands surveyed include APP Indonesia's 80gsm 'Bola Dunia', as well as APRIL Indonesia's 80gsm 'Paper One' brand. The survey tracks prices since February 2016 and demonstrates market price increased across all major sales channels including the ecommerce channel which has become dominant since the proliferation of the COVID-19 pandemic. It is estimated that Indonesian domestic prices have risen by between 20 – 40 per cent since the original investigation.*

IV. Conclusion

Opal Australian paper welcomes the opportunity to provide the Commission with any additional resources believed to be of relevance to the verification of the producer and/or exporter. The Commission is encouraged to request of OAP clarification or more detailed analysis of any aspect of the foreign operations for the purpose of verification or the conduct of the investigation more generally.

If you have any questions concerning this submission please do not hesitate to contact me on 0425 619 677.

Yours sincerely

Matt Decarne  
Trade Affairs Manager

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<sup>1</sup> Application for Continuation of Measures – Inquiry 588, Section 4(i)(b), Page 8.



## Appendix 1

According to Asia Fine Paper Trading Pte Ltd (“APRIL”) exporter questionnaire response (“EQR”) is a trading company registered in Singapore. APRIL exports copy paper to Australia manufactured by APRIL’s related manufacturing company PT Riau Andalan Lertas (“RAK”).

RAK operates two paper machines at the Kerinci Mill in Northern Sumatra. On the site there are three pulp mills. Uncoated woodfree paper production is understood to be approximately 850,000 tonnes per annum, of which about 55 per cent is cut-size paper.

RAK allegedly provides a “manufacturing service” for paper products that are marketed, sold and exported to global markets by APRIL. RAK also sells paper products on the domestic market in its own right. It is also noted below that RAK purchases pulp from its affiliated pulp manufacturing company, PT Riau Andalan Pulp and Paper (“RAPP”) – it is assumed operates the three pulp mills.

The corporate structure for APRIL, RAK and RAPP requires careful consideration by the Anti-Dumping Commission (“the Commission”). In circumstances involving a related party manufacturer and trading arms, the Commission has typically “collapsed” the entities into a single entity for the purposes of normal value determination.

APRIL indicates that its related party paper manufacturer RAK purchases pulp from an “affiliated” company, RAPP.

APRIL Group’s pulp and paper mill and plantation operations are primarily in and around the major town of Pangkalan Kerinci in Riau Province, on the Indonesian island of Sumatra.

At the mill site, APRIL Group has built a company town that can house up to 7,000 people and includes schools, medical facilities, leisure facilities, religious facilities, sporting grounds and other amenities for employees and their families.

In addition to the pulp mill and plantations, APRIL Group has invested significantly in infrastructure to take its products to market including roads, ports and an airport.

### APRIL Indonesia

Article: 25 August 2014 – Indonesia–Investments

*Rusli Tan, Deputy Chairman of the Indonesia Pulp and Paper Association (APKI), said that growing pulp and paper consumption in Asia is important for the global industry as consumption of these products has been declining in North America and Europe where computers and mobile devices have increasingly succeeded in replacing paper products. **Tan added that the Indonesian government must support the domestic pulp and paper industry in order to safeguard a competitive industry as well as to increase domestic production capacity in order to uphold the current market share in the Asian region.** He also said that enhanced infrastructure development is key to raise performance of the nation’s pulp and paper industry. Therefore, he puts his trust in Joko Widodo, the soon-to-be president of Indonesia, who emphasized during his campaigning that infrastructure development is required in order to reach +7 percentage point economic growth. According to Tan, improved infrastructure in Southeast Asia’s largest economy could make the pulp and paper industry **grow by 20 percent in 2016** as it leads to a decline of logistics costs and thus higher purchasing power (which will also positively affect the pulp and paper industry).*

**Total paper production in Indonesia stood at six million tons in 2013. Almost half of this total paper output was produced by Riau Andalan Pulp and Paper (RAPP). In 2014, Indonesia’s total paper output may**



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*reach eight million tons mainly on increased production of Sinar Mas which opened a new pulp and paper factory in Palembang (Sumatra) earlier this year.*

*Kusnan Rahmin, President Director at RAPP, said that the company has to cope with slower pulp and paper demand in 2014 due to an oversupply of paper last year amid sluggish global demand. **The company exports approximately 70 percent of total production (the remainder being sold to the domestic market).***

**Pulp & Paper Mill**

The pulp and paper mill located at Pangkalan Kerinci in Riau Province Indonesia is capable of producing up to 2.8 million tonnes of pulp and 850,000 tonnes of paper per year.

The mill is almost completely self-sufficient in energy generation with more than 80 percent of total energy produced comes from bio-fuels which are by-product of the production process. Fuels used include Black Liquor from pulping, bark, sludge, palm husks, methanol, natural gas, coal, diesel, fuel oil.