

# **Analysis of APP Response to WWF Indonesia's Reports on the Company's Involvement in Illegal Logging**

**WWF Indonesia**

**13 July 2004**

Recently, WWF Indonesia published two reports:

1. *Legality of Timber Consumed by Asia Pulp and Paper's Mills in Indonesia, January-October 2003* (8 June 2004), and
2. *Monitoring of Illegal Logging Operations in Riau, Sumatra: Deliveries of Illegally Cut Wood from Proposed Tesso Nilo National Park to APP's Indah Kiat Pulp and Paper Mill in August 2003 and April 2004* (16 June 2004).

APP's attorneys and publicists have made a concerted effort to refute the above two reports. However, WWF Indonesia remains convinced of the accuracy of its conclusions. WWF's response to the five major arguments in the *APP Response to WWF Indonesia Reports on Illegal Logging* (3 July 2004), are as follows:

## **1. Regarding WWF's conclusion that APP's wood supplier Mapala Rabda logged inside the Bukit Batu Nature Reserve (WWF Indonesia 8 June 2004).**

APP denies that its Mapala Rabda concession was logging inside the Bukit Batu Wildlife Reserve. To support its contention, APP exclusively cites an internally drawn map of the boundaries of the reserve. The multi-stakeholder team, quoted by APP, used only these "*boundaries of reconstruction mapping exercise SM Bukit Batu in 1998<sup>1</sup>*" in its assessment. The multi-stakeholder team, set up to "*confirm the exact boundaries*", took four GPS readings (yellow points in Figure 1), but only along the north-east boundary of Bukit Batu Reserve as it had been defined in APP's internal reconstruction map in 1998.

This self-generated map has no legal standing. In WWF's view it shows the reserve boundaries incorrectly. The APP version of the boundaries are contrary to the legally recognized boundaries drawn by the Indonesian Ministry of Forestry, both in 1999 for the Bukit Batu Wildlife Reserve and again in 2003 for the Mapala Rabda concession. The multi-stakeholder team never checked whether the actual logging points of Mapala Rabda complied with the government recognized boundaries.

During an audit in November 2003, APP appointed independent auditors of LEI<sup>2</sup> took five GPS readings (red crosses) at the actual locations where Mapala Rabda conducted logging operations. Figure 1 shows that these locations are within the legal boundaries of

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<sup>1</sup> "Report on the Results of the Inspection of the Bukit Batu Suaka Margasatwa Boundaries – Bukit Batu" January 27, 2004

<sup>2</sup> LEI is Indonesian Ecolabelling Institute, an independent certification body

the Bukit Batu Reserve. APP has not given any explanation for this and WWF's conclusion that Mapala Rabda illegally logged inside the legal boundaries of the Bukit Batu Reserve remains un-refuted.

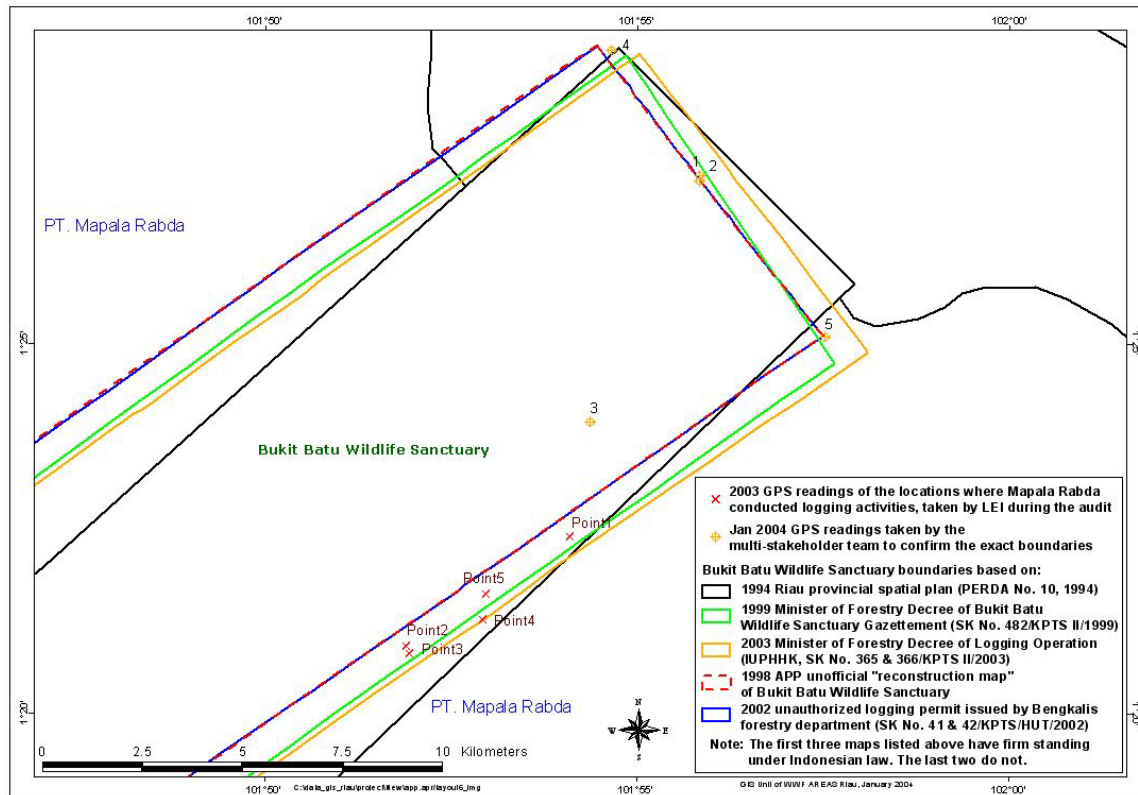


Figure 1. GPS readings took by LEI auditors during their November 2003 audit of the five locations where Mapala Rabda actually conducted illegal logging and of the five points the multi-stakeholder team took in January 2004 for confirming the exact boundaries.

## 2. Regarding WWF's conclusion that APP accepted illegally harvested timber from their supplier Mapala Rabda (WWF Indonesia 8 June 2004).

APP's attorneys maintain that a license issued by the head of Bengkalis district -- under the auspices of which the company clearcut, in the Mapala Rabda area, 1.2 million cubic meters of natural forest timber in 2002, and another 1.4 million cubic meters in 2003 -- was technically legal. APP admits that it razed vast swaths of the Mapala Rabda forest, due to its ability to take advantage of an apparent ambiguity in Indonesian law, before that loop-hole was unequivocally removed in May 2003.

WWF observes that APP did not even manage to stay within the terms and conditions of this dubious district permit. For one thing, APP continued to log in the Mapala Rabda area, even after the district permit expired. The permit started in July 2002 and ran for one year, expiring in July 2003. The district head refused to extend the permit. However, APP continued to log in the area until October 2003. From November 2003 forward,

APP appears to have operated in the Mapala Rabda area under a separate, provincial land clearing permit.

APP broke the terms and conditions of its Mapala Rabda district permit in a second, critical way. The district permit only allowed the logging of 300,000 cubic meters. However, during the first ten months of 2003 alone, Mapala Rabda logged more than 1.4 million cubic meters, exceeding the legal maximum by about 370 percent.

### **3. Regarding the conclusion by WWF and LEI auditors that Agro Mandiri delivered wood to APP claiming their ghost unit as the source (WWF Indonesia 8 June 2004).**

APP does not dispute WWF Indonesia's information that two of the parcels of land that were licensed to one of its major district-licensed suppliers, Agro Mandiri, were inactive when they were visited by LEI assessors, along with a WWF and Department of Forestry observer. APP also does not dispute the fact that timber purportedly originating from Agro Mandiri rolled into the gates of APP's mills, while LEI and WWF Indonesia were visiting Agro Mandiri's inactive parcels of land. However, APP now maintains that there were three additional parcels of land licensed to Agro Mandiri, and that one or more of these additional three parcels were the points of origin for the Agro Mandiri timber being sent to Indah Kiat at that time.

WWF regards this last assertion with considerable skepticism. APP's largest factory in Indonesia, Indah Kiat, relied for almost half of its fibre in 2003 on deliveries of Agro Mandiri. Yet, APP did not tell the LEI/WWF/Ministry of Forestry audit team of the purported existence of the three additional Agro Mandiri parcels during the entire one-week period that the team was assessing the Agro Mandiri concession. In view of this, it is difficult to understand how APP is able to credibly assure its customers that it is sourcing pulp wood from responsible and legal sources.

### **4. Regarding WWF's conclusion that APP purchased illegal logs harvested in Tesso Nilo in August 2004 (WWF Indonesia 16 June 2004).**

WWF notes that APP does not deny the fact that they purchased illegal wood from the proposed Tesso Nilo National Park. Instead, in their response, APP's main concern is WWF's allegation that APP has taken no action against alleged illegal wood suppliers identified in August 2003. WWF made no such allegation in its report (WWF Indonesia 16 June 2004).

The key aim of publishing the report on 16 June was to inform APP's global stakeholders that, despite its commitments on paper, APP has continued to receive wood deliveries that were obviously illegal and that, in WWF's view, could have been determined to be illegal by APP with minimal effort. In WWF's observation, APP has taken action on specific cases when presented with hard evidence about illegal activities. In WWF's view,

this falls well short of the fundamental change in company policy and practice that is needed to ensure zero acceptance of illegal logs.

WWF has engaged APP on the protection of natural forests in Riau Province for 3 years. APP and WWF signed a Letter of Intent on 19 August 2003 in which APP committed to “*protection of high conservation value forests*” (such as the proposed Tesso Nilo National Park) and to “*fully comply with national laws, and to implement a wood sourcing system that will identify and reject any wood not coming from legal wood harvesting and transport operations*”. APP commissioned LEI to conduct an independent assessment on the legality of its wood supply. APP published a “Sustainability Action Plan” in February 2004 that included commitments to a legal wood supply.

Meanwhile, WWF's Forest Crime Unit continued to find evidence of APP purchasing illegal wood obtained in the proposed Tesso Nilo National Park. WWF informed APP repeatedly of these findings. Each time, APP said it would look into the allegations and if found true it would not renew or cancel contracts with the suppliers involved. However, after each incident WWF's Forest Crime Unit would find yet another group supplying APP with illegal logs from Tesso Nilo, and APP would again give the same response. This pattern was repeated in August 2003, and again in April 2004.

#### **5. Regarding WWF’s conclusion that APP purchased illegal logs harvested inside the proposed Tesso Nilo National Park (WWF Indonesia 16 June 2004).**

APP acknowledges WWF’s findings that two trucks, license plates BM 8885 AT and BM 9789 AB, left fully loaded from a timber concession located in the proposed Tesso Nilo National Park, and 29 and 45 hours later, respectively, unloaded timber at the Indah Kiat mill.

APP speculates that the timber unloaded by the two trucks at the Indah Kiat mill did not originate from the proposed Tesso Nilo National Park. Rather, according to APP, the two trucks unloaded their Tesso Nilo timber to “some third party” and then re-loaded their timber elsewhere from what APP maintains is a legal concession, before finally proceeding to Indah Kiat.

In point of fact, WWF Indonesia’s Forest Crime Unit physically followed the truck BM 8885 AT continuously, from the time it left Tesso Nilo, until it pulled in to the Indah Kiat mill 29 hours later. At no point on its journey did the truck stop to unload or reload timber. However, the truck stopped many times thus accounting for the slowness of the truck’s journey, which APP finds “implausible.”

The Forest Crime Unit recorded the following details on the first truck BM 8885 AT (see also Figure 2):

## April 16, 2004

**16:35**, leaves the logging site inside proposed Tesso National Park after being loaded with logs.

**19:15**, stops at a restaurant in Gunung Sari, picks up Delivery Order for the timber transport.

**20:30**, stops at Simpang Koran, checks vehicle condition and changes tire.

**23:30**, stops at restaurant in Simalinyang, stays overnight.

## April 17, 2004

**04:30**, leaves restaurant.

**05:00**, stops at Restaurant Roda Baru in Sungai Pagar.

**11:00**, stops at restaurant in Arengka, suburb of Pekanbaru.

**14:00**, leaves Arengka.

**18:05**, stops at Minas Post at Km 32 Minas, check point for timber transports.

**21:38**, enters the APP mill after queuing several hours.

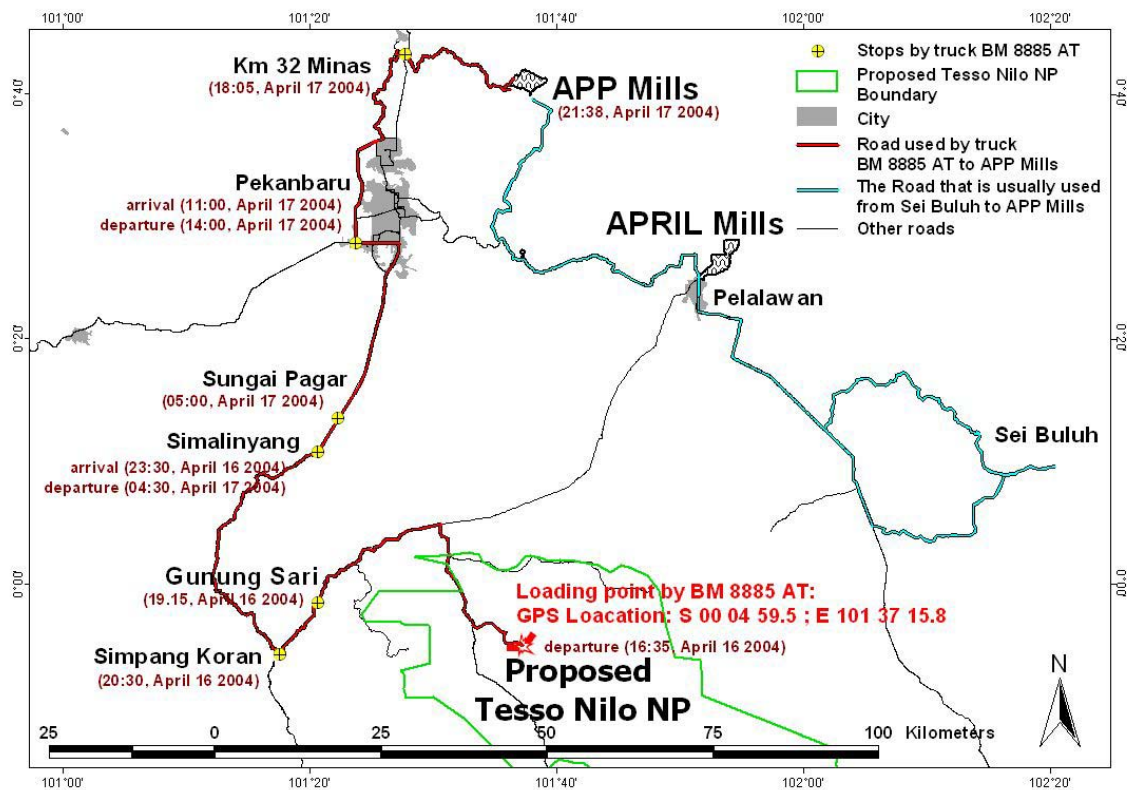


Figure 2. Tracking BM 8885 AT from their illegal logging and loading point in the proposed Tesso Nilo National Park to the APP mills.