

UNCLASSIFIED



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cc

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Subject SUBMISSION - PROPOSED FTA : AUST-INDON  
[SEC=UNCLASSIFIED]

To Whom It May Concern:

Please find following a brief submission from AGR Matthey concerning the proposed FTA between Indonesia and Australia.

AGR Matthey is a partnership between the Western Australian Mint (W AM) (a wholly owned subsidiary of Gold Corporation), Australian Gold Alliance Pty Ltd (AGA) (a wholly owned subsidiary of Newmont Mining Corporation) and Johnson Matthey (Aust.) Ltd (JMA) (being a wholly owned subsidiary of Johnson Matthey Plc). This partnership was formed on 2nd October 2002 as the result of the merging of the AGR Joint Venture and Johnson Matthey's Australian refining, manufacturing, marketing and distribution businesses.

AGR Matthey has a gold and silver refinery located in Perth, Western Australia and a manufacturing centre in Melbourne. AGR Matthey currently refines in excess of 350 Metric Tonnes (11.25 million ounces) of gold per year and is the only LBMA accredited refinery in Australia. Bullion products are marketed from the Perth facility. The manufacturing plant located in Melbourne produces a range of jewellery products, various industrial products containing precious metals. There are also wholesale distribution and sales outlets in all major Australian cities, New Zealand and Hong Kong.

According to leading research consultancy, GFMS Limited, Indonesia has a substantial gold and silver jewellery fabrication sector, in excess of 100 tonnes of gold per annum worth USD2,500m at current prices and around 150 tonnes of silver per year. The supply of gold and silver for Indonesia is met by a combination of local mine supply, scrap recycling and imports primarily from Singapore. AGR Matthey does not supply any bullion or fabricated product directly into Indonesia and it is reasoned that this is primarily due to the fact that import duties exist of between 2.5% to 7.5%. Given the extremely narrow margins on bullion in the international market, typically less than 0.05%, any type of duty severely distorts the supply and demand dynamics. AGR Matthey estimates that the removal of Indonesian import duties would allow it to competitively supply between USD 125m to USD 500m (using current prices) of bullion per annum into the Indonesian market.

From the Indonesian perspective, the jewellery market is extremely competitive with gold jewellery sold by the value of the gold plus a small manufacturing premium. The cost of buying gold and silver is therefore a critical factor for jewellery manufacturers. Removing the import duties will lead to a large increase in the profit margins of the jewellery sector, allowing it to become more competitive in the international market place.

Please feel free to contact me should you require any further information.

Kind Regards,

Tim Spencer

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