

EXECUTIVE HIGHLIGHTS

A project funded by the EU has involved the study of a number of key sectors of the Indonesian economy. One of the sectors chosen for examination has been that of Indonesia's maritime ports. The coordinator of the overall study has been the Indonesia Netherlands Association (INA), with the ports sector assigned to the British Chamber of Commerce in Indonesia (BritCham), which in turn engaged one of its member companies specialising in infrastructure to undertake a desk-study review of the ports sector in Indonesia. This report is the culmination of that study, which was carried out over the period February to September 2012 on a part-time basis.

A short review is made of the impact of the major political changes that took place in the country following the Asian Economic Crash of 1998, which hit Indonesia hard, and of the economy, which recovered following this period to achieve the current growth rate of 6.0-6.5%. The point was made, however, that to sustain or surpass this level of economic growth in the future significant investment was required in infrastructure in all areas. That required for ports in the ensuing 5 year period is estimated to be in the order of US\$40 billion, with a high level of private sector support required over that to be committed by government.

This political and economic review was followed by an overview of the structure of the industry, particularly following the structural changes that emanated from the issuing of the new law for the ports and shipping sector in 2008, Law 17/2008.

The hierarchy of the different ports across the country, of which there are some 1900 havens, is shown from the highest category of those publicly administered by the state-owned operating companies, down to fishing and special purpose ports with the main differences being addressed.

The main roles of the Ministry, under its Directorate General of Sea Transport, Port Authorities and the 4 State-owned Port Operating companies, the Pelindos, and their interacting roles is briefly described before more detail is provided about each of the Pelindos, numbered I-IV, with each having jurisdictional responsibility for a segment of the archipelago. Pelindo I is responsible for Northern Sumatra, and Pelindo IV the eastern part of the country, with Pelindos II and III having charge of the segments in between.

Pelindo II is the largest of the four, based on western Java, the centre of the industrial heartland of the country, and headquartered in the capital city of Jakarta. Its operation altogether amounts to almost the combined output of the other three

operations put together. As part of its international outlook, Pelindo II has been renamed as the Indonesian Ports Corporation.

A major container port expansion is underway at Tanjung Priok, the Jakarta port, and this plus two other projects to upgrade container operations, albeit strictly outwith the jurisdictional area of the IPC, at Batam, off Singapore, and Sorong in Papua, are briefly described. Mention is also made of other work ongoing in the other Pelindos.

Successful port operations require good hinterland connections, in particular roads. The study summarises the current status of both road and rail infrastructure across the country and the need for parallel investment to match that expected in ports. Logistical costs of transporting goods in Indonesia have been evaluated as among the highest if not the highest in Asia. The country's standing worldwide, as measured in the World Bank's *Logistics Performance Index* is relatively poor, particularly when compared with its peers. Most of this poor performance is directly related to the poor condition of much of the road network as well as the result of years of underinvestment in the ports sector along with underperformance in operations.

The different types of shipping trade, whether container, bulk or liquid or general cargo have been discussed, with the expansion over the past few years highlighted as well as that forecast for the years ahead. The shipping fleet, ferry transport and the fishing Industry all badly need to be upgraded and expanded, however, and offer opportunities for investment.

In May 2011 the Government of Indonesia unveiled a detailed plan for the economic development of the archipelago, the MP3EI, or 6 Corridor Economic Development Plan. The objectives of this comprehensive approach to accelerate economic growth across the regions are stated and each of the 6 corridors is then briefly overviewed, with a particular focus on infrastructure and, in turn, that pertaining to ports and their importance in the delivery of the objectives of the MP3EI. Attention to this plan will be necessary when focusing on

Finally, a short section is included on financing issues as well as a restatement of opportunities in summary.