



Regional hubs, minimart ports & financing smaller port infrastructure in Indonesia

TOC 2015

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New Priok: Indonesia's Gateway



Phase I	
Development	: 2012 – 2020
Estimate Project Cost	: US\$ 2,500 Million
Length of Berth : 4000 M	
Depth	: - 16 M LWS
First Operation Container Terminal (CT 1) will start in 2015	
Container Terminal	: 3 Terminals
Area	: 132 ha
Capacity	: 4.5 MILLION Teus/Year
Oil & Gas Terminal	: 2 Terminals
Area	: 48 Ha
Capacity	: 10.0 Million M ³ /Year

Phase I	
Development	: 2020 - 2030
Estimate Project Cost	: US\$ 2,200 Million
Length of Berth : 4000 M	
Total CY Area	: 300 Ha
Depth	: - 20 M LWS
First Operation Container Terminal Phase 2 will start in 2025	
Container Terminal	: 4 Terminals
Area	: 132 ha
Capacity	: 4.5 MILLION Teus/Year
Area	: 300 Ha
Capacity	: 8.0 Million TEUs /Year

Indonesia is a big place

Logistics cost not ports

Road and rail development across Indonesia

- Land acquisition
- CAPEX requirement
- Time to construct

Ports and their access to the hinterland

- Make sure they compete to provide you what you want

A couple of examples

- Kijing and minimart ports
- The development of ports across eastern Indonesia

DO NOT FORGET THE SHIPS



The target is to reduce Logistics Costs

Logistics costs are changed by

- Containerization of commodities (from origin to destination)
 - ✓ Ports must be well connected to the hinterland
 - ✓ Hub and spoke networks improve connectivity
- The shipping network and its connectivity
 - ✓ A variety of services is needed
 - ✓ Wherever possible make international connections
- Reliability of shipping services
 - ✓ Port efficiency to minimize time to berth
 - ✓ Port productivity to minimize time on berth
- Frequency of shipping services
- Utilization of the ships
 - ✓ Full container loaded and unloaded need to balance
- The size of the ships
 - ✓ Bigger ships lower unit costs at high utilizations

Most of the investment in a port is at the start

All ports need to expect a "standard" container ship size

Ports need effective equipment and adequate capacity

Ships can change in size every few years as the market grows

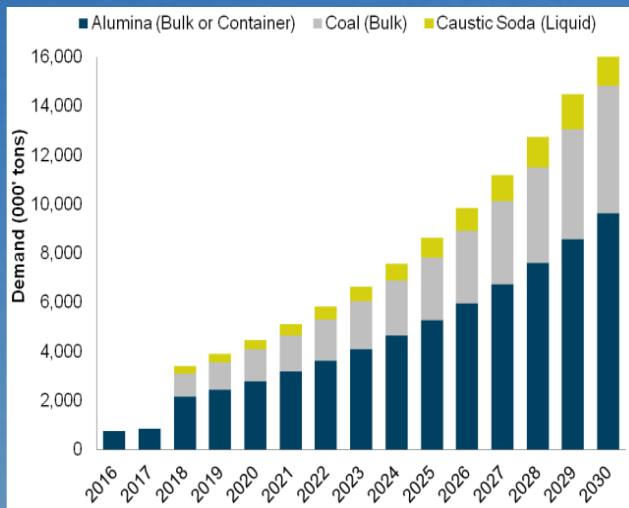
Market mechanism required to increase size of ships BUT not too fast (utilization and frequency matter)

Pontianak and West Kalimantan



Pontianak Port:

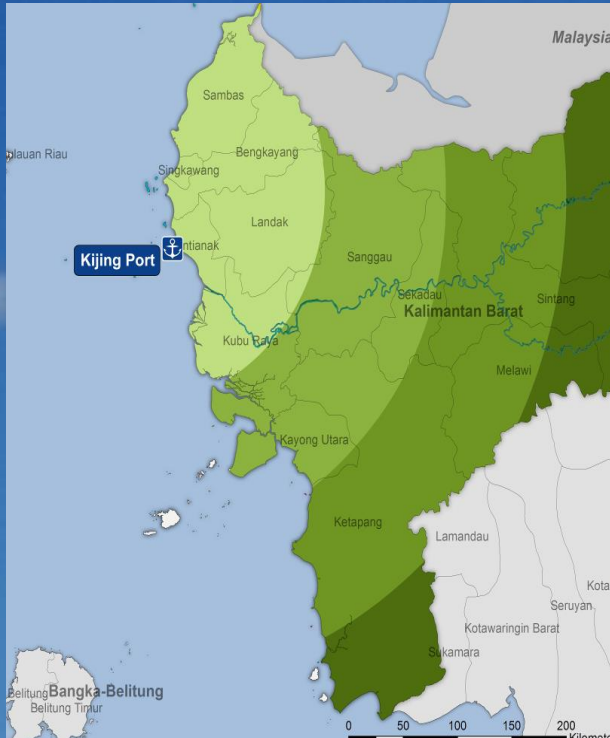
- 22 km from the sea on the Kapuas River
- Ships of:
 - draft < 5 m
 - length < 153 m
- Ships outside river, draft < 11m
- 250,000 TEU per year capacity



West Kalimantan has major production and consumption potential:

- Containers
- Alumina
- CPO
- Coal

Kijing and “minimart” ports



Type	Capacity	Draft (m)	Length (m)
Container Terminal	800,000 TEU/year	16.0	600 m
Dry Bulk Terminal	15mt /year	14.0	250 m
Liquids Terminal	300,000 cbm	16.0	500 m



 **Lock**

 **Inland Terminal**

The logic of the Eastern Ports Project

Economic development

Enabled by trade



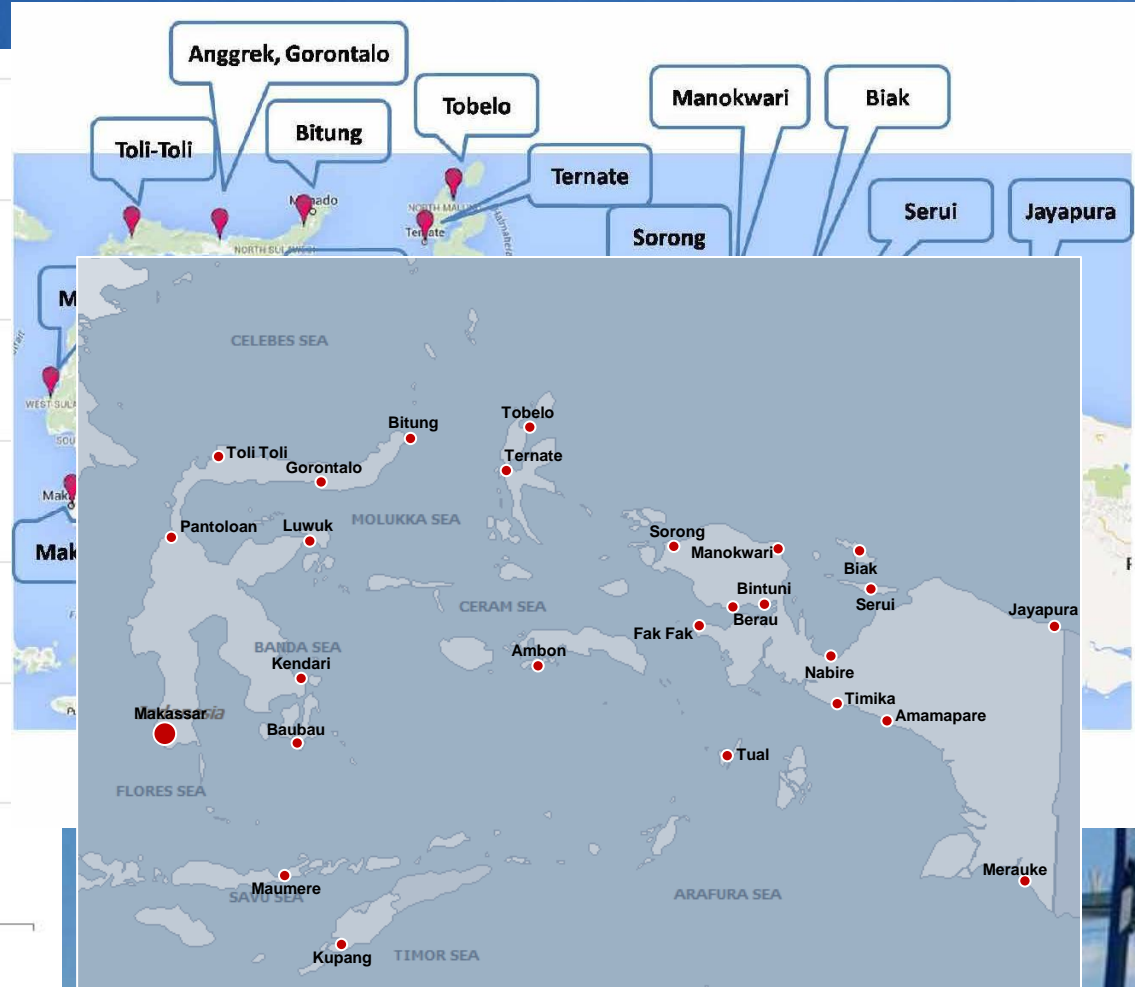
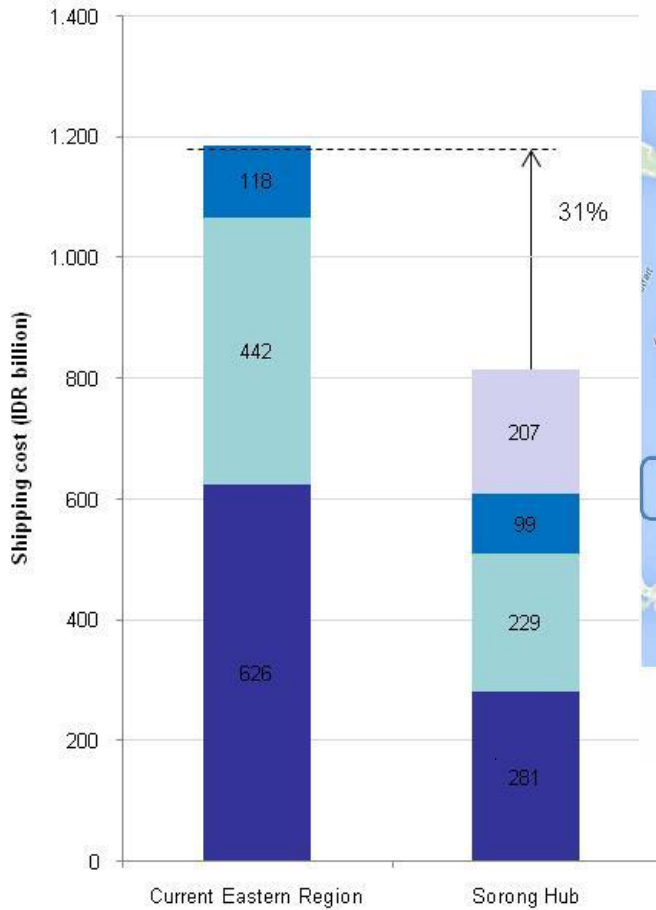
Integration and National Identity

Encouraged by trade



- 95% of all trade is handled by ports and carried by ships
 - Trade is driven by production and consumption
 - Eastern Indonesia consumes but production is limited
 - Consumption is low because logistics costs are high
 - Production is not competitive because logistics costs are high
 - Trade can be encouraged by competitive logistics (shipping)
 - Stimulating economic development by reducing logistics costs
-

Plan for the development of network



Impact of ship size for 20 to 40 year plan

Forecast of ship size growth, 2014 – 2040 (TEU)

Now	< 500	< 500	< 500	< 500	< 500	< 500	< 500
2020	2,540	2,540	2,540	2,540	2,540	2,876	2,876
2030	4,830	4,830	4,830	4,830	10,939	5,470	5,470
2040	8,931	8,931	8,931	8,931	20,227	10,114	10,114

Target ship
4,000 to 6,000
TEU capacity

Plan, design, cost, get approval to build

Planning of development

- Marine access/dredging
- Berths to be provided
- Storage areas
- Equipment



To build 35 ports in 4 years

- Need to consolidate process
- Presidential decree
- One implementing body
- Simple procurement process

Approval process

- Right to undertake development
- Master plan approval
- Construction license
- Operations license
- AMDAL etc...

Management and operations

- Setting up operations and maintenance
- Training and management
- Integrating with other ports to ensure shipping services effective

Cost, Finance and Contract

- How much investment
 - Preparing for finance
 - Procurement process
 - Commitment to proceed
-

Making all this happen by end 2018

Substantial credible study work has already been done

- World Bank
- Drewry

NORTON ROSE FULBRIGHT

35 ports requires substantial effort in many areas

- Cargo forecasting, revenue projections, management setup
- Planning, design and construction



There has to be a fast track approach

- Single contractor who also finances
- One development team (IPC, Danareksa, NRF, PWC, Drewry)
- Presidential support throughout approval process



Key approvals

- IPC needs mandate to develop – Presidential Decree in 2015
- Ability to award contract – when ready in Sept/Oct 2015



Operating strategies

Sub-concession

- Domestic or International Operators
- 20-25 years
- Scope and terms to vary

Operating contracts

- Domestic or International Operators
- Up to 10 years
- “tool port operation”

Cooperation with Local Governments

Cooperatives

Direct operation

Thank You

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