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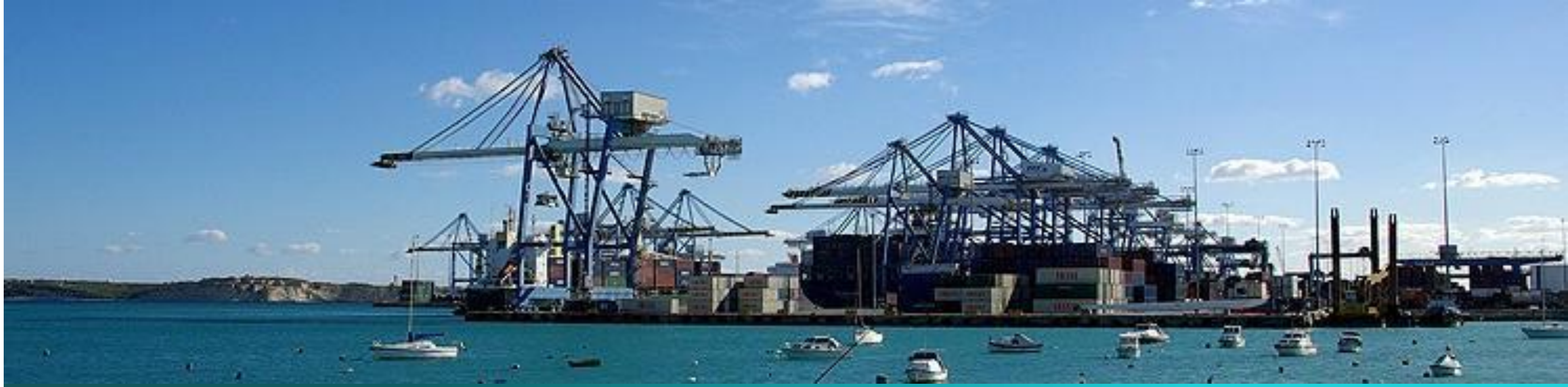

Ports and Connectivity

EIBD Conference 2013

Presented by David Wignall: 22nd November 2013

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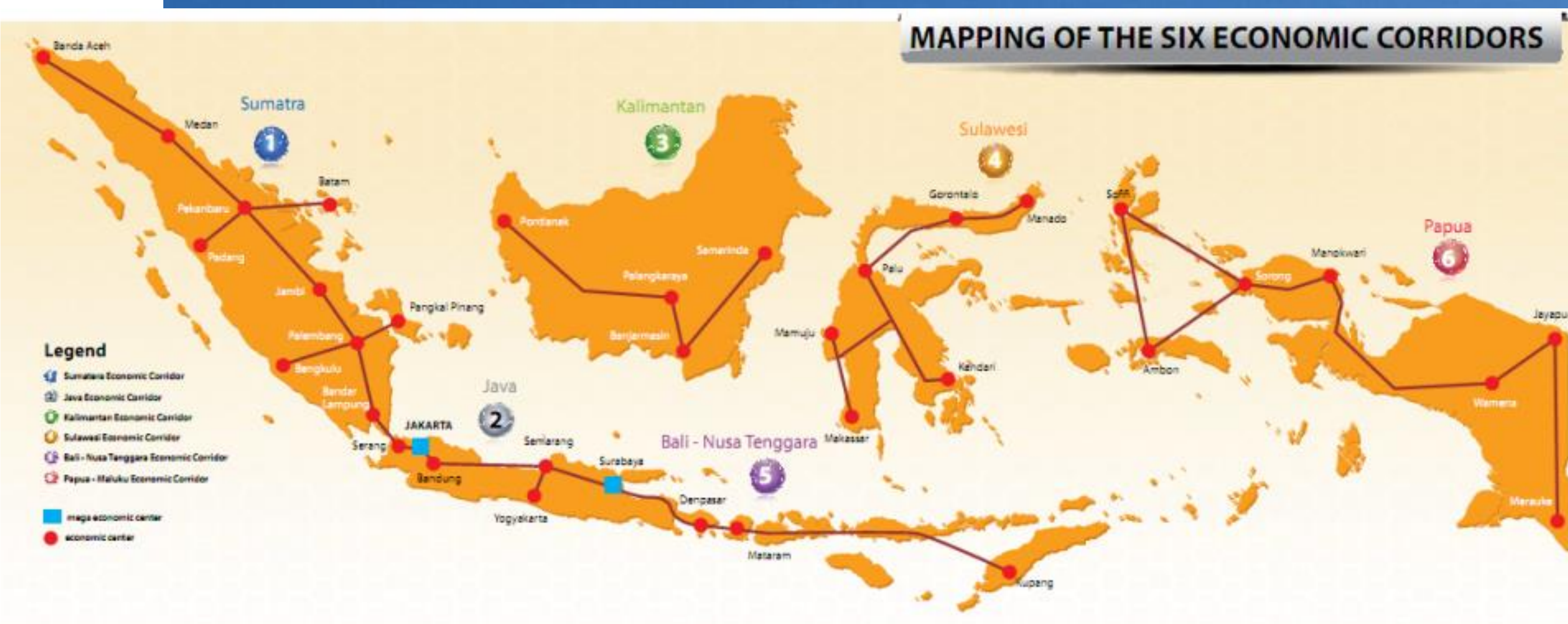
MP3EI, a plan for connectivity

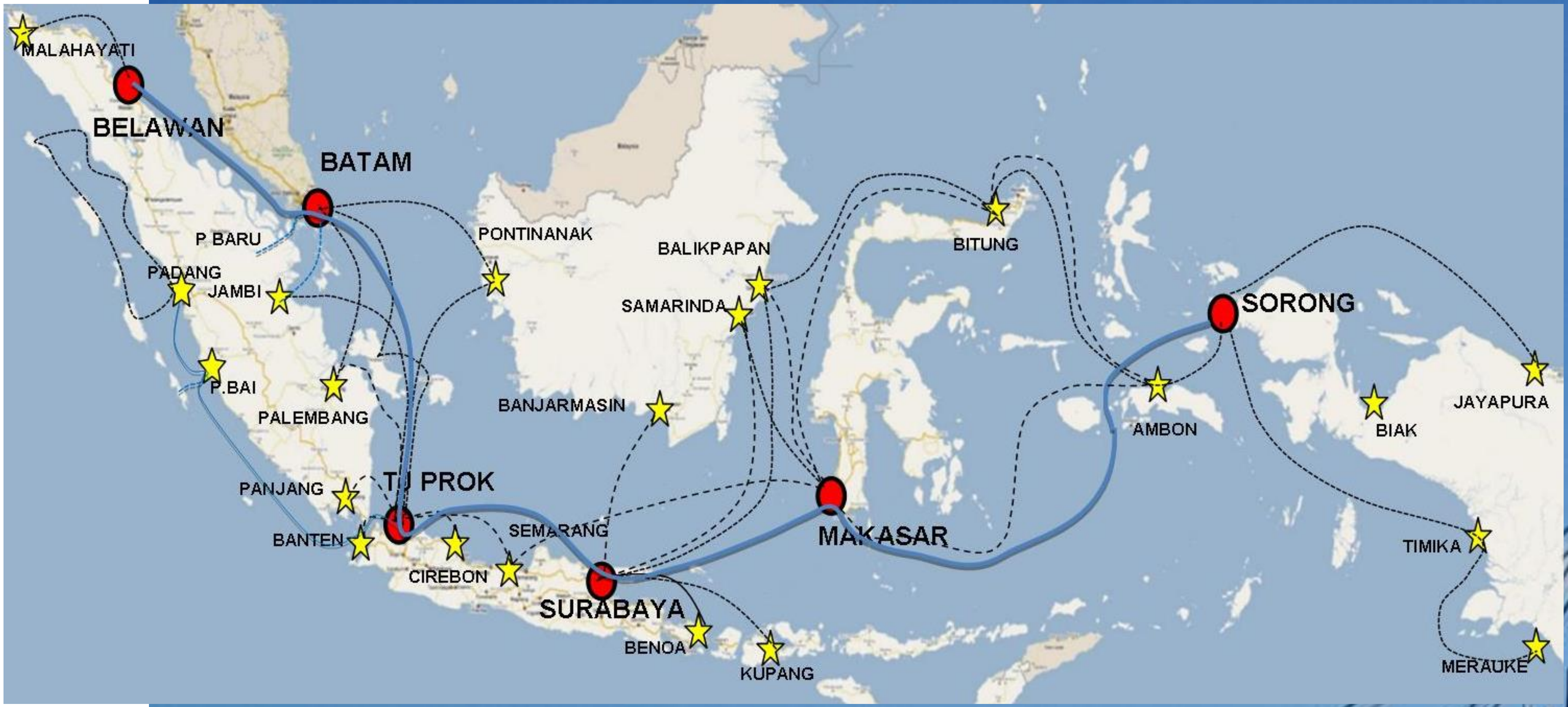
- Where are the sea connections?
  - Jakarta, Surabaya
  - Medan, Makassar, Bitung Sorong



MP3EI, a plan for connectivity

- Where are the ships?
  - Cabotage , a success story?
  - The number of Indonesian-flagged ships has doubled to over 12,000 ships
  - GRT of Indonesian-flagged ships has trebled since 2005 to 18m GRT
  - Many ships owners in Indonesia have moved ships from the Singapore register to the Indonesian register
  - Single ship companies have grown faster than any other shipping company
  - Little new tonnage is being purchased
  - Importing ships is a complex process…

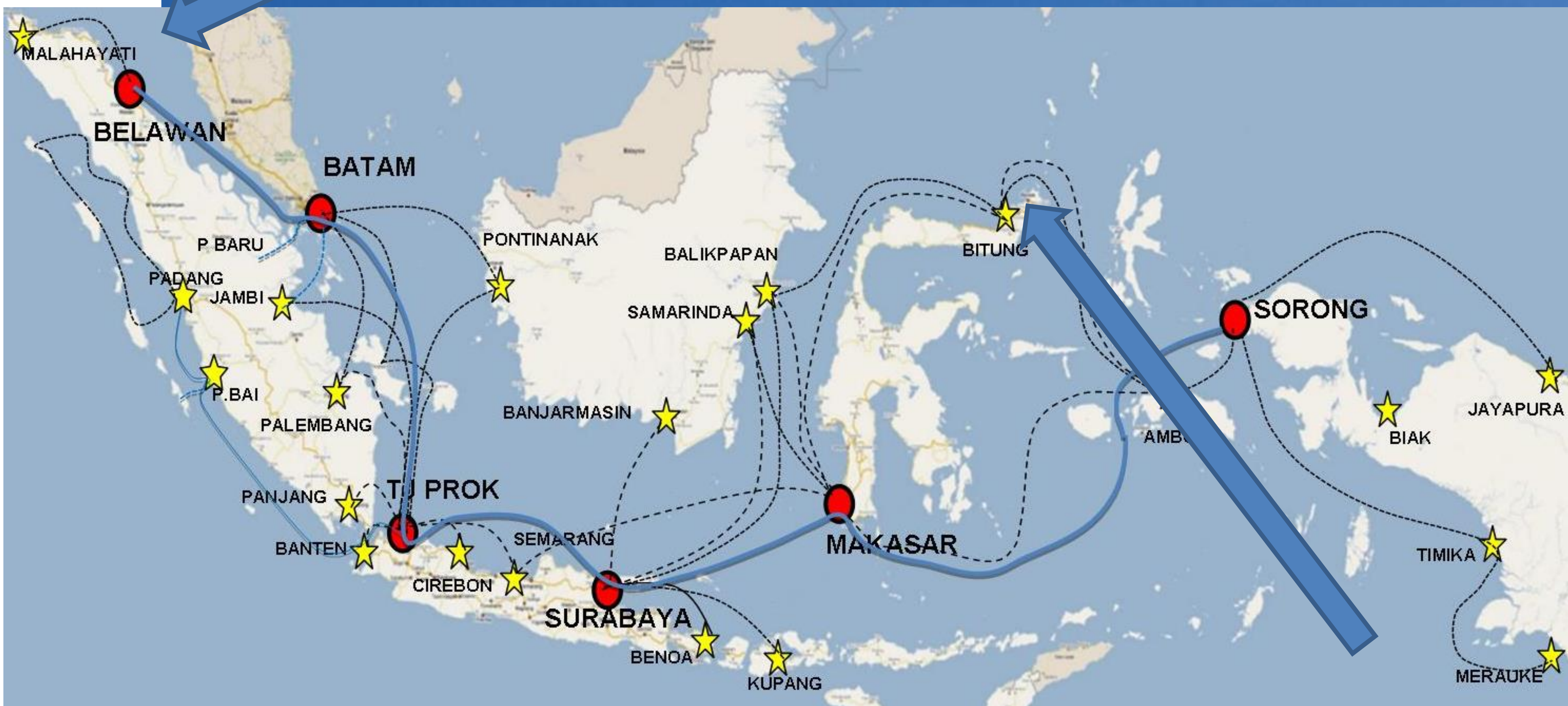
Pendulum Nusantara – "The backbone"



- 3,000 TEU ships providing liner service
  - Available on the international market
  - Regulatory and financial concerns

The entry "hubs"

Kuala Tanjung



Bitung

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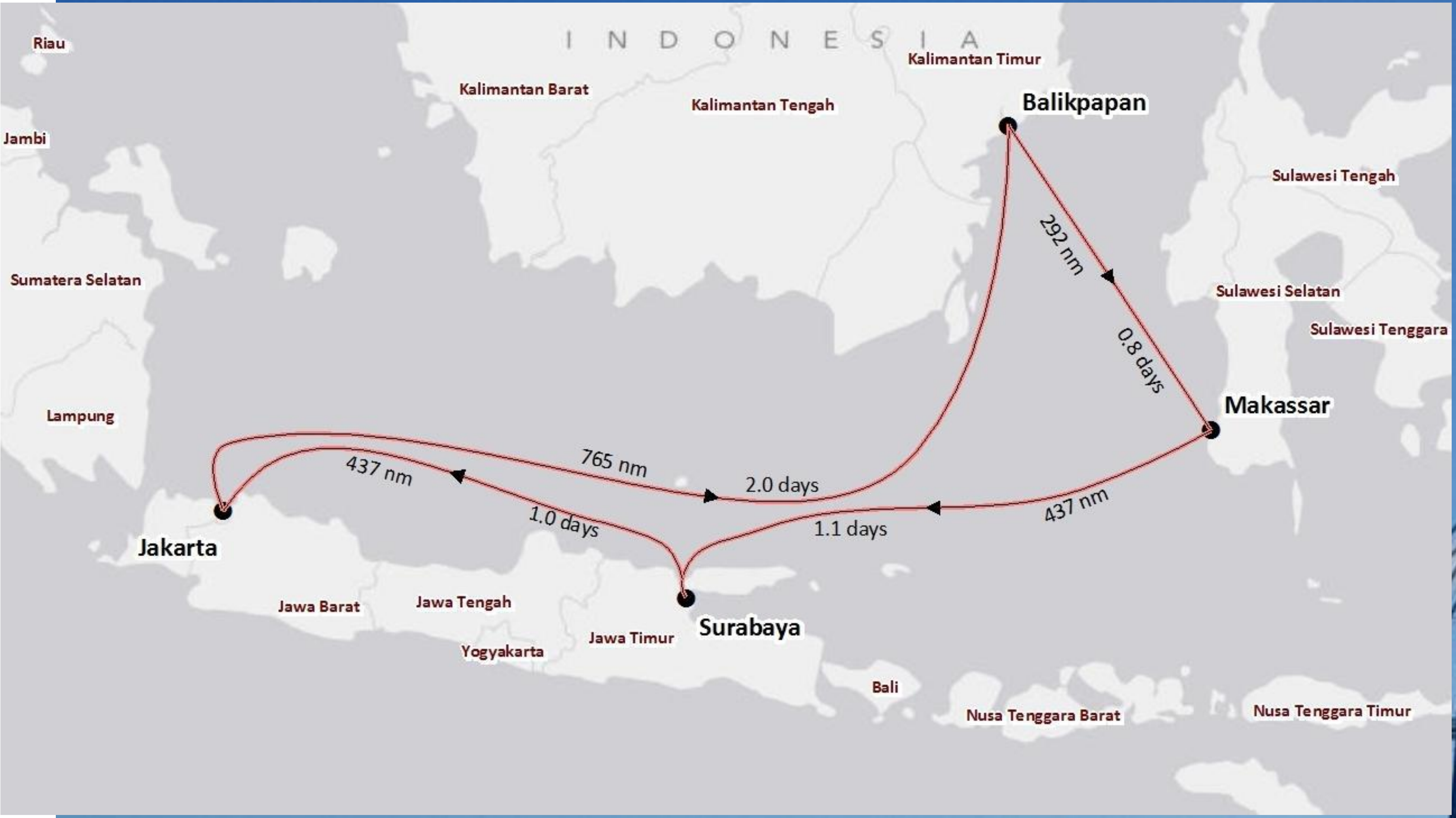
RORO and connectivity



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Regulatory Concerns

- Domestic regulation
  - The Fuel Subsidy
  - Cabotage
    - Wholly or majority owned by domestic nationals
    - Registered under the country's national flag
    - Built at domestic shipyards NO
    - Manned by the country's own citizens NO
    - This effective makes chartering and sale and purchase more difficult as the ships loose value on transfer
  - Licensing of routes
  - Subsidy paid/policy to domestic trade ships
  - Environmental controls
- International/Domestic
  - Passenger ships (over 12 passengers)
  - Freight only ships

Public Private Partnership (PPP)

- Power provision
  - Supported by off-take agreements
- Toll Road, airport, port provision
  - In many cases a monopoly
- Medical centers and hospitals
  - Supported by service level agreements
- Sports facilities
  - Supported by service level agreements

PPP in the Port Sector

- Public bodies (Government) have been involved in ports for 100’s of years
- In 1980 most ports were Government owned and operated, this has changed 30 years later;
  - Most terminals are private operations
  - Efficiency has improved radically
  - BUT, Governments still play a critical role
- In Indonesia most ports are Government owned and have valuable assets
  - Most “private” terminals have Government involved
  - Labour, regulatory etc…

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The Port Sector PPP difference

MARKET RISK

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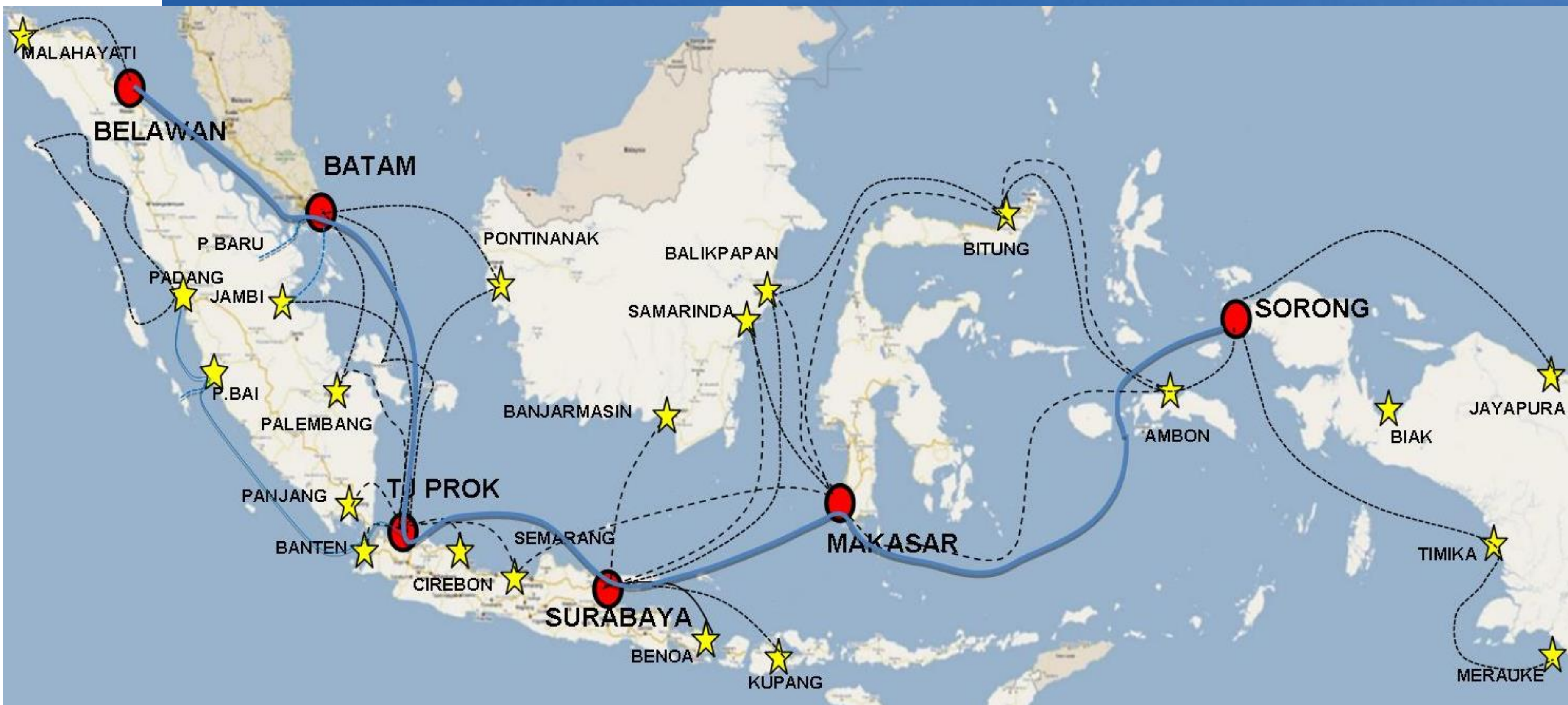
Progress in ports



Real progress on New Priok

- Container Terminal 1
  - Mitsui appointed as operator
  - Consortium includes NYK, Evergreen etc…
  - Super post panamax STS and eRTGs/Hybrid RTGs
- Container Terminal 2&3
  - Market interests strong
  - 5 operators requested to submit binding proposals
- Product Terminals
  - 15 bidders going forward

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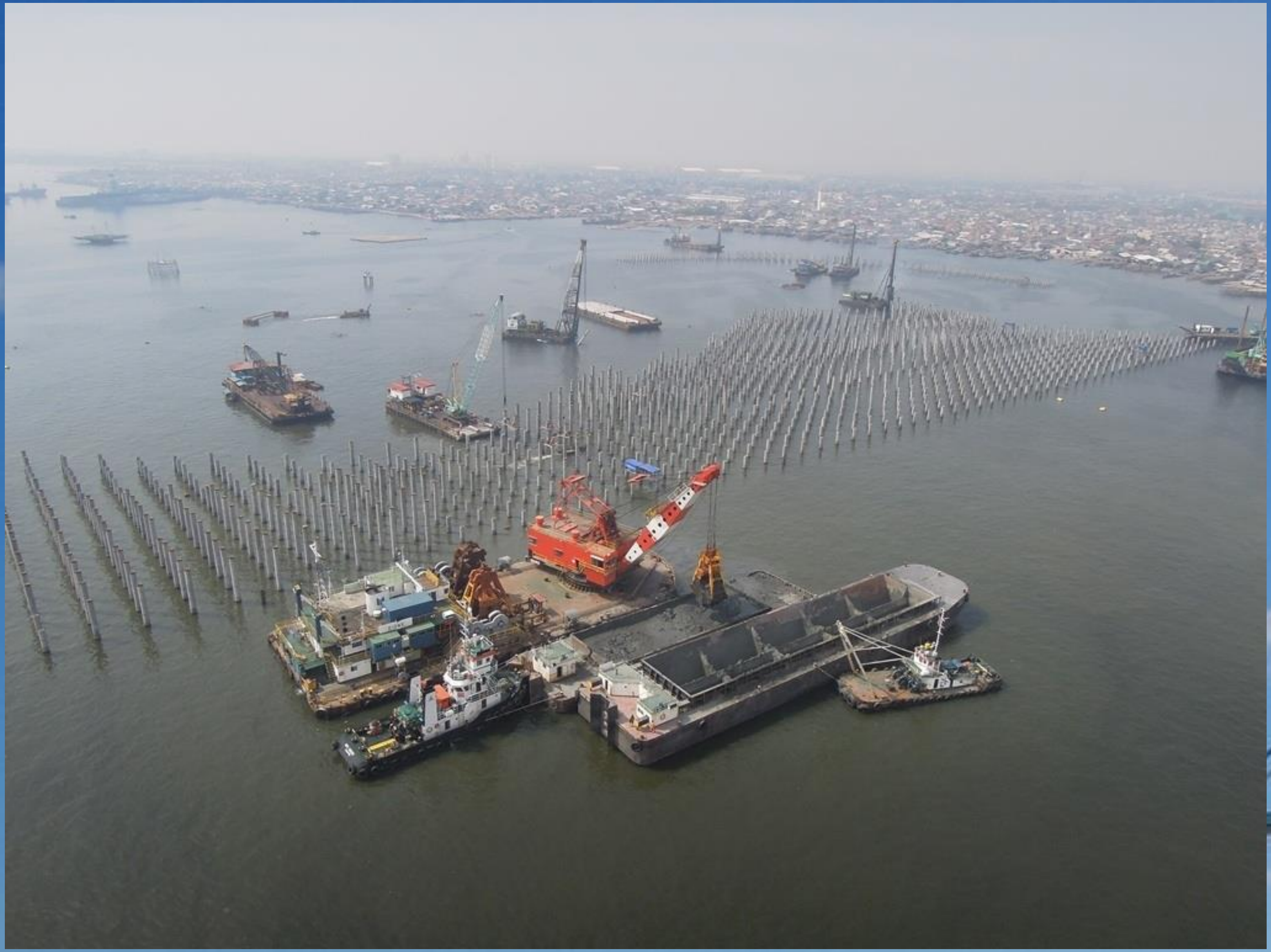
Progress on site



Surabaya

- Approach channel
  - Removal of LNG pipeline
  - Dredging to -13.5m
  - In hand as a PPP led by Pelindo 3
- Teluk Lamong – led by Pelindo 3
  - Major expansion of capacity
  - Development ongoing
- TPS Surabaya
  - Re-concession process in hand

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Belawan/Kuala Tanjung

- Belawan – led by Pelindo 1
  - Expansion of container handling capacity
  - Channel dredging
  - Unable to sustain development required
- Kuala Tanjung
  - Ideas and FS being sought
  - Concept of an entry port
  - The delusion of transhipment

Makassar

- Study/PPP development proposals in hand
  - Could define way forward for port sector

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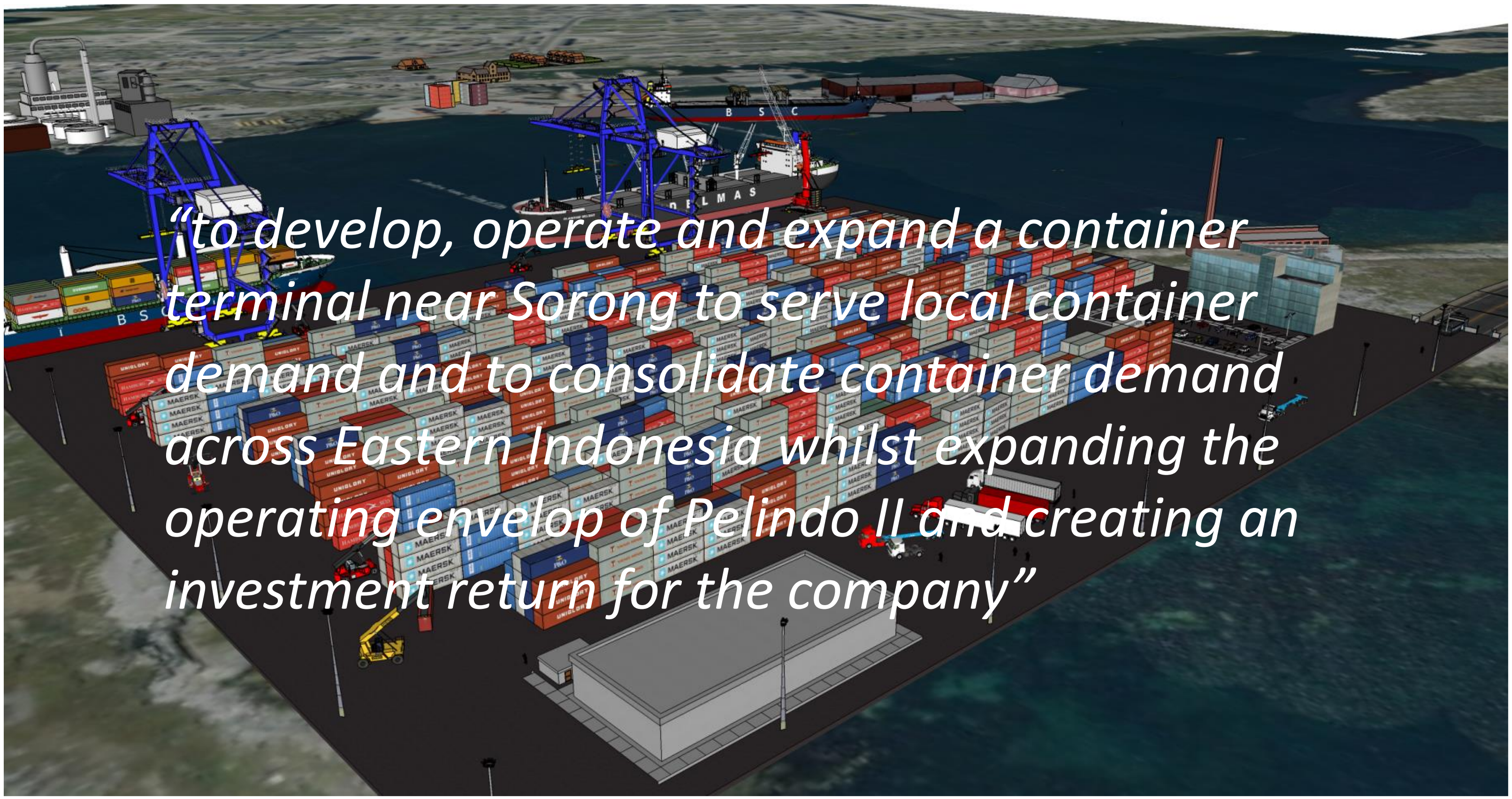
Sorong Container Terminal (or Bitung?)



"to develop, operate and expand a container terminal near Sorong to serve local container demand and to consolidate container demand across Eastern Indonesia whilst expanding the operating envelop of Pelindo II and creating an investment return for the company"

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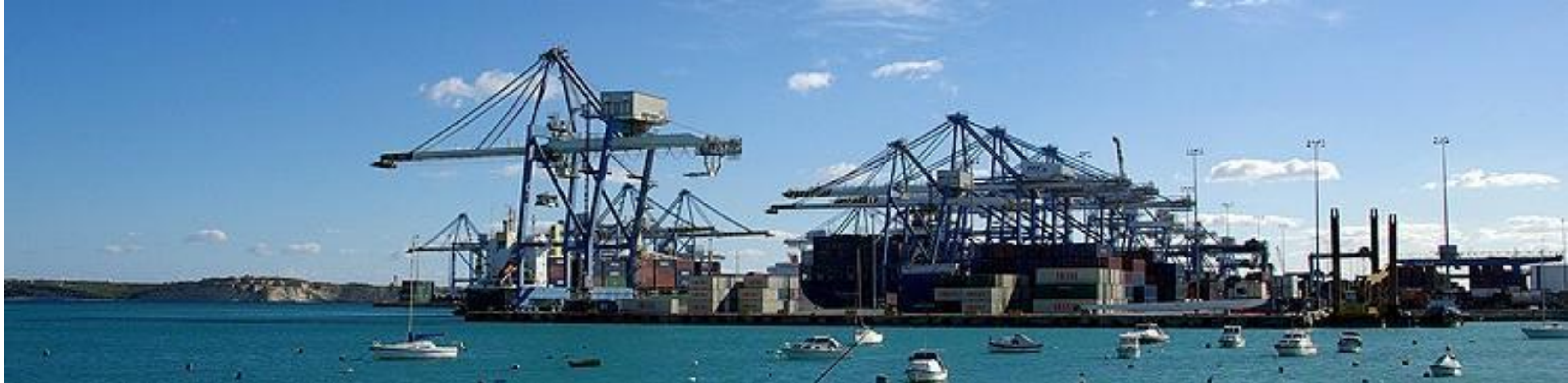

Thank you for your attention