



A Master Plan for Ports

Port Development and Connectivity Asia 2016

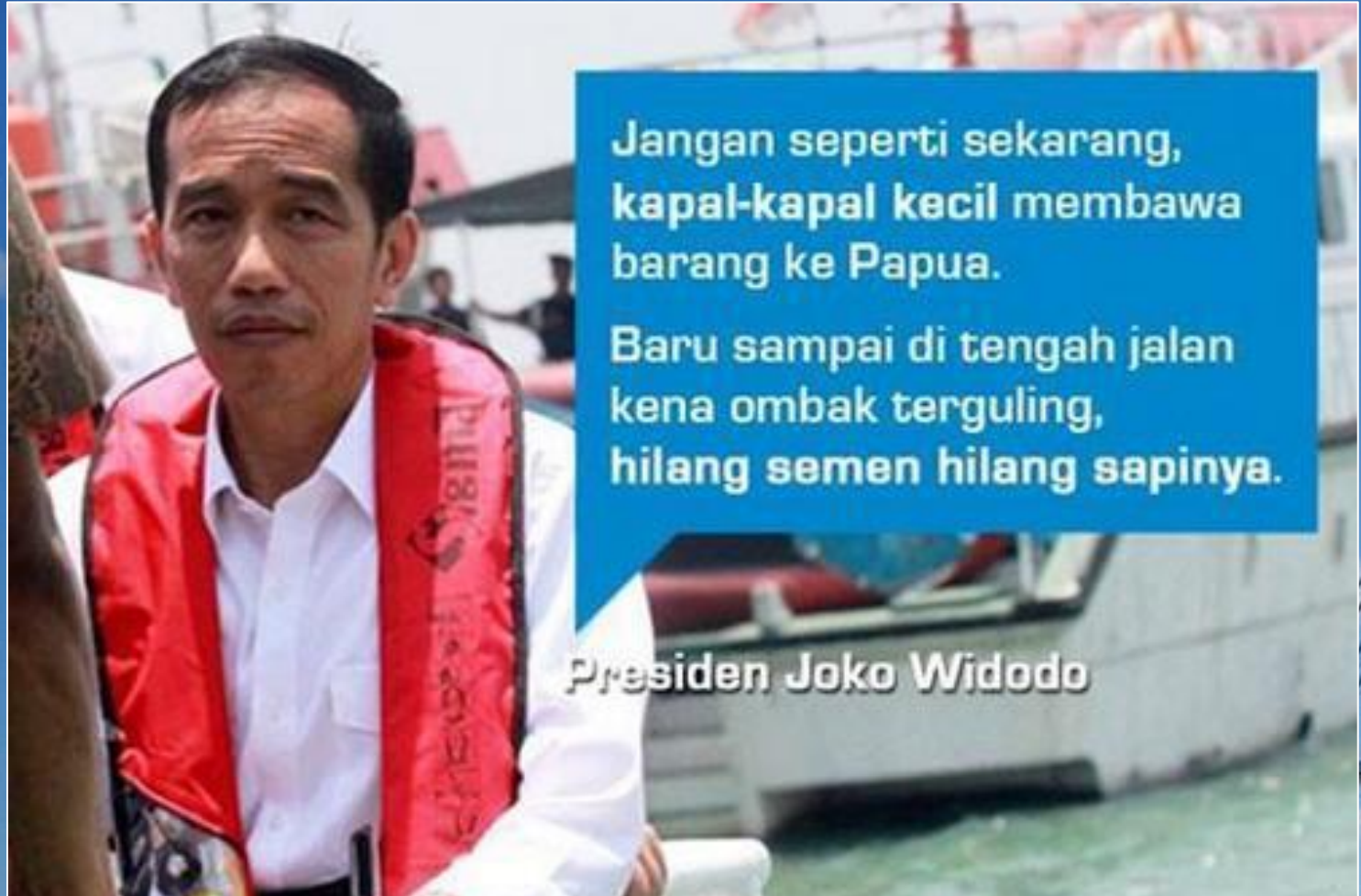
Presented By:
David Wignall
David Wignall Associates

September 2016

Who is doing well in the planning game?

Country	Liner Shipping Connectivity			Logistics Performance Index		
	2004	2015	% improved	2007	2016	Change
India	34.1	45.8	34.3%	3.07	3.42	0.35
Indonesia	25.9	27.0	4.2%	3.01	2.98	-0.03
Australia	26.6	32.0	20.3%	3.79	3.79	0.00
Morocco	9.4	68.3	626.6%	2.38	2.67	0.29
Cyprus	14.4	17.3	20.1%	2.92	3	0.08
United Kingdom	81.7	95.2	16.5%	3.99	4.07	0.08
South Africa	23.1	41.4	79.2%	3.53	3.78	0.25
Brazil	25.8	41.0	58.9%	2.75	3.09	0.34
Vietnam	12.9	46.4	259.7%	2.89	2.98	0.09
China	100.0	167.1	67.1%	3.32	3.66	0.34
Hong Kong	94.4	116.8	23.7%	4	4.07	0.07
Singapore	81.9	117.1	43.0%	4.19	4.14	-0.05
Dubai	38.1	70.4	84.8%	3.73	3.94	0.21
Sri Lanka	34.7	54.4	56.8%	2.4	n/a	n/a
Holland	78.8	96.3	22.2%	4.18	4.19	0.01
Canada	39.7	42.9	8.1%	3.92	3.93	0.01
Thailand	31.0	44.4	43.2%	3.31	3.26	-0.05
South Korea	68.7	113.2	64.8%	3.52	3.72	0.20
France	67.3	77.1	14.6%	3.76	3.9	0.14
Germany	76.6	97.8	27.7%	4.1	4.23	0.13
Malaysia	62.8	110.6	76.1%	3.48	3.43	-0.05

Meaning number 1.



Jangan seperti sekarang,
kapal-kapal kecil membawa
barang ke Papua.

Baru sampai di tengah jalan
kena ombak terguling,
hilang semen hilang sapinya.

Presiden Joko Widodo

Meaning number 2.

RANCANGAN ARSITEKTUR TOL LAUT INDONESIA

SUPPLY CHAIN
INDONESIA

Melewati

7

Pelabuhan Utama

1. Pel. Kuala Tanjung
2. Pel. Batam
3. Pel. Tanjung Priok
4. Pel. Tanjung Perak
5. Pel. Makassar
6. Pel. Bitung
7. Pel. Sorong

Terhubung dengan

67

Pelabuhan SSS

24

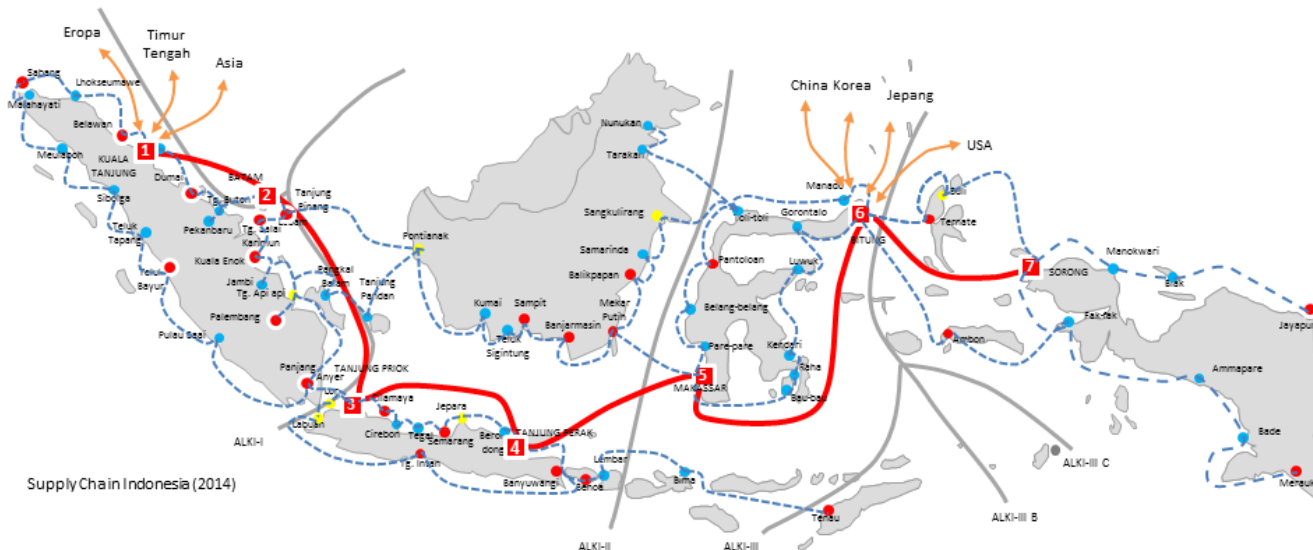
Pelabuhan Utama

36

Pelabuhan Pengumpul

7

Pelabuhan Pengumpan

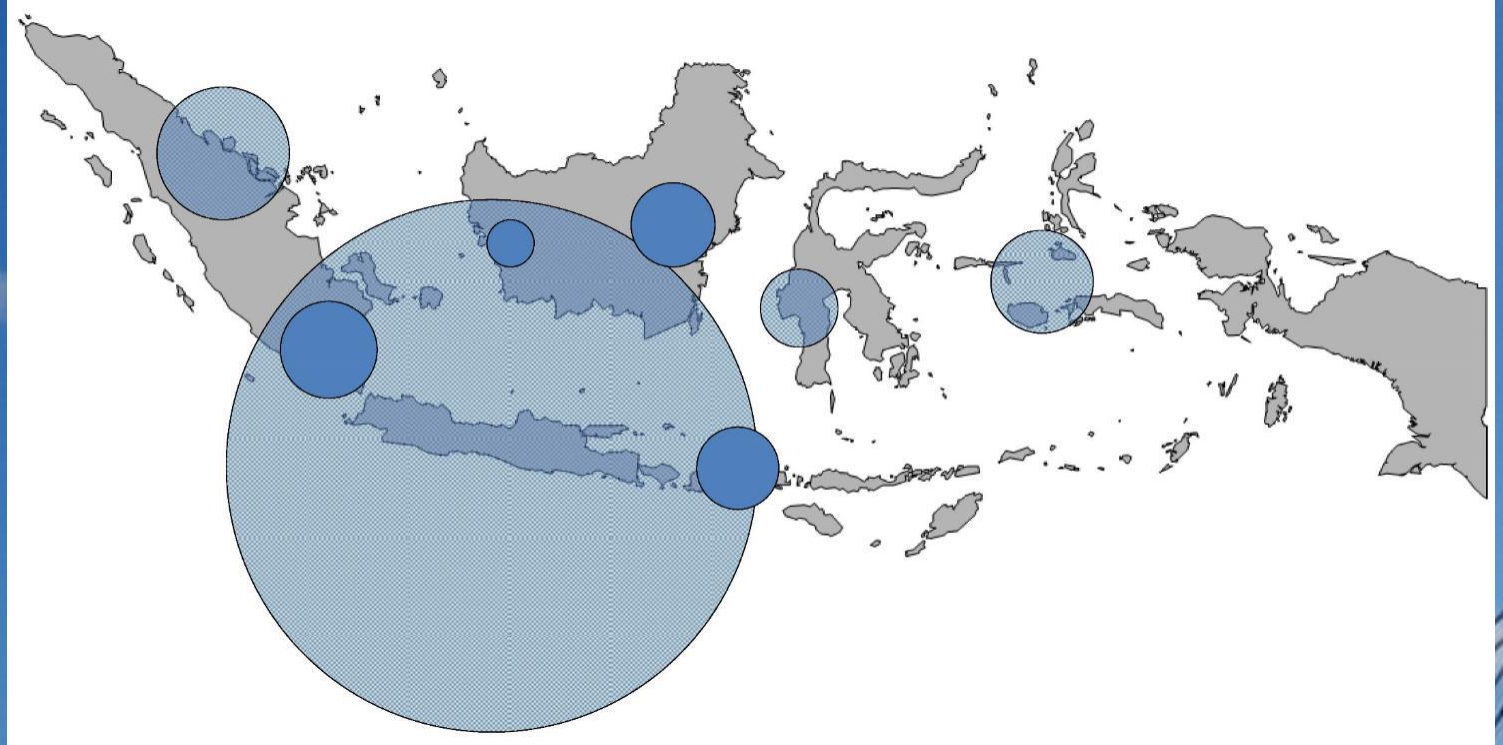


Supply Chain Indonesia (2014)

Keterangan:

- Pelabuhan Utama dalam Jalur Tol Laut
- Pelabuhan Pengumpul
- Jalur Utama Tol Laut
- Pelabuhan Utama
- Pelabuhan Pengumpan
- - - Jalur Short Sea Shipping
- Arus Ekspor/Impor

Where are containers in Indonesia?



The strategic meaning of Tol Laut?

“The people and President of Indonesia want to improve the quality of the ports of Indonesia to reduce the cost of logistics and to encourage port led economic development”



Status report...

Tanjung Priok – Jakarta

- New Priok is here, CT1 now in commercial operation, 20,000 TEU ships coming
 - Approach channel at 14m MLWS, will be 16 MLWS within next year
- Volume growth has slowed and new terminals can be released as required
- Attention switching to improve hinterland connections
 - Canal Bekasi Laut
 - Eastern Access Road

Tanjung Perak – Surabaya

- TPS is close to renewal, but renewal may be politically fraught
- Teluk Lamong has seen substantial investment
- Capacity is available but is capability?
- Approach channel dredged to 13m MLWS based on 25 year concession

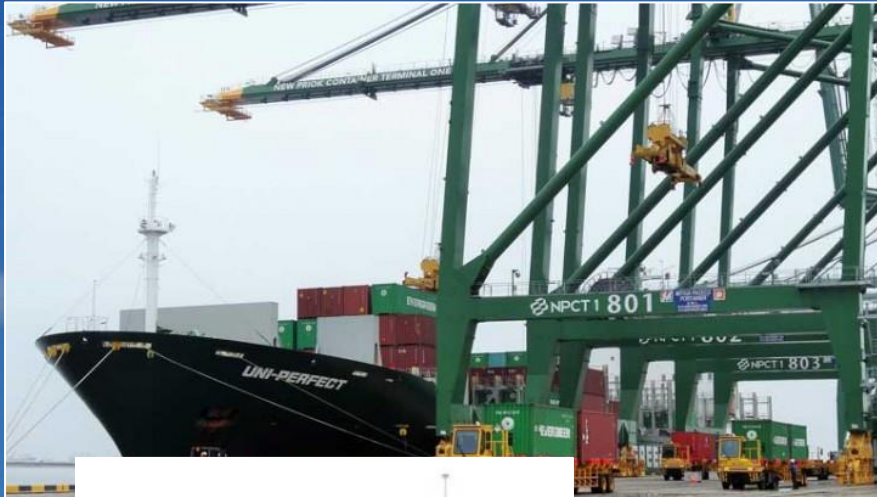
Belawan – Medan

- Container handling capacity is available and is being expanded
 - Channel depth at 9m MLWS a severe limitation on ship size
- Kuala Tanjung is the “obvious” replacement deep water port
 - Transshipment not realistic option to attract shipping lines
 - Competition with Belawan makes private finance “difficult”

Makassar

- New port development underway but can it be finished?
-

New Priok



Kuala Tanjung



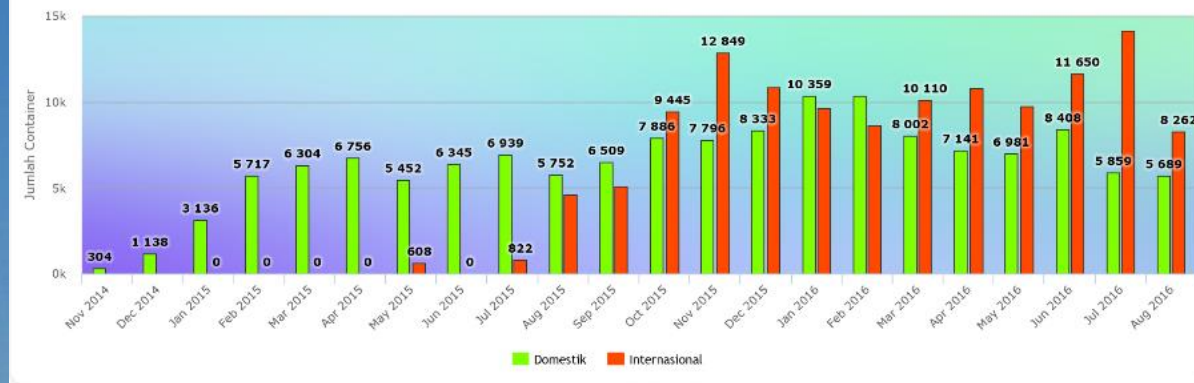
Teluk Lamong



Teluk Lamong's
international
terminal to operate
next month

Nurflka Osman
The Jakarta Post

Laporan Produksi - Domestik Internasional



Makassar New Port



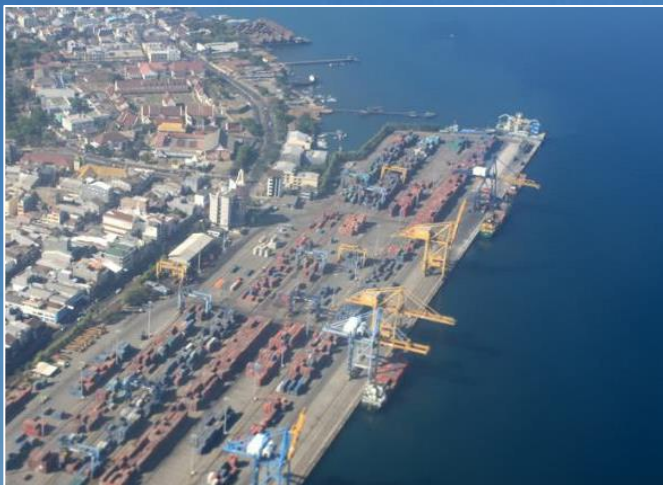
Pelindo IV seals construction contract with state firm for Makassar New Port project

By Vincent Wee from Hong Kong

Indonesian state-owned port operator Pelindo IV has signed an agreement with state construction firm PT Pembangunan Perumahan (PTPP) to begin the first phase of development of the Makassar New Port in South Sulawesi, local reports said.

The construction of the port is part of efforts to support the government's programme to solve the country's logistic distribution bottlenecks in the eastern region.

"The development of this new port would significantly help improve the country's logistic performance as it will ease the burden on Tanjung Priok Port [in Jakarta] and Tanjung Perak Port [in Surabaya]," Pelindo IV president director Mulyono was quoted as saying.



PROYEK MAKASSAR NEW PORT



Total Anggaran **Rp1,8 Triliun**

2016
Pagu anggaran
Rp300 Miliar

1. Untuk pembangunan 3 dermaga (kedalaman 16 meter, luas 16 hektar)
2. Akan terintegrasi KIMA seluas 300 hektar
3. Juga terintegrasi jalur rel kereta api Makassar-Parepare

Where else to invest?

Total container throughput in Indonesia is in the order of 11-12 m TEU per year, distributed...

- 5.5m TEU in Tanjung Priok
- 3.0+ m TEU in Tanjung Perak
- 1.5+ m TEU in Belawan
- 0.5+ m TEU in Makassar
- 1.0+ m TEU in Semarang
- Not much left in containers away from these ports at present...

Why not much mention of Semarang and its replacement Kendal?

- It is on the same island as Indonesia's two major ports
- 250 km to Tanjung Perak the hub of eastern Indonesia
- 400 km to Tanjung Priok and in near future direct services to...

All other terminals are small, domestic and complex

- MoT operates some ports
 - Pelindo's operate some ports
 - Shipping line provide equipment sometimes
 - TKBM present in every port in different ways
 - Stuffing and un-stuffing sometimes very expensive
-

Where will the investment come from?

The Private Sector

- Has invested US\$ 350m in New Priok in conjunction with IPC (Pelindo 2)
- There are tabled offers to increase that investment to over US\$ 1.0 billion

Public Private Partnerships

- PPP legislation in Indonesia has proved, “difficult” to implement in practice
- There are no successful port projects developed under Indonesian PPP legislation
- Market risk is transferred in port projects making them different from almost all other PPP

State Owned Companies

- Pelindo 1, Kuala Tanjung
 - Investing in container capacity in Belawan
 - Negotiating joint venture with Port of Rotterdam for Kuala Tanjung
- IPC (Pelindo 2),
 - Raised US\$ 1.6 billion, and retains cash for investment
 - New Priok is in commercial operation and offers early returns on investments
- Pelindo 3
 - Holds US\$ 850m of debt
 - Returns on key investments in doubt
 - Has options to reduce debt or raise additional investment funds
- Pelindo 4
 - How will it fund Makassar New Port?

Government investment

- Ministry of Transport budget cut twice in last six months
-

Ministry of Transport

Govt to release state-run ports amid budget cuts

Farida Susanty

THE JAKARTA POST/JAKARTA

The cash-strapped Transportation Ministry plans to hand over hundreds of government-controlled ports to state-owned port operators who are expected to better manage the facilities.

Speaking to *The Jakarta Post* on Thursday, the ministry's director general for sea transportation, Antonius Tonny Budiono, said the ministry would give four state-owned port operators – PT Pelabuhan Indonesia (Pelindo) I, Pelindo II, Pelindo III and Pelindo IV – an option to choose from more than 1,000 ports currently managed by the government through its technical managing units (UPT).

In total, the companies currently manage 112 ports across the archipelago. "The companies have the experience and the skill to manage our ports. They can also improve the level of service for users," Antonius said.

The management handover, Antonius added, would also provide fiscal benefits to the ministry, as it could reallocate the funds previously allocated for the ports for other

Ministry to hand over management of state-run ports to Pelindo quartet

Port association slams policy as setting up monopoly, calls for bidding process

projects, including the procurement of new vessels.

The move has been taken in the wake of budget cuts across government institutions as a result of a shortfall in tax revenues.

Government spending for ministries and institutions was cut by Rp 16.3 trillion (US\$1.2 billion) from the revised 2016 state budget earlier this year, after tax collection only reached a third of the full-year target despite being halfway through the year. The government plans to slash another Rp 65 trillion this year.

As much as Rp 1.2 trillion was cut from the Sea Transportation Directorate General's budget in the first round of budget cuts, the largest cut for any directorate general in the Transportation Ministry.

However, the ministry insists the

handover is not just about the budget, as the ports are also expected to boost the country's connectivity by operating as feeder ports for the main ports managed by the four Pelindo firms around the areas.

Transportation Minister Budi Karya Sumadi previously said the handover, expected to begin immediately, would end the dual functions of the ministry as both regulator as well as operator of certain ports.

The ministry also maintained that it would not offer the ports to private operators.

Antonius said the handover of the ports would enable the four Pelindo firms to manage them as national assets under Finance Ministry regulation rather than on concession-based contracts.

The government has previously opened the door to the private sector to operate ports by the issuance of government regulation No. 64/2015, which stipulates that a company can get a concession agreement through a tender process or even direct appointment to manage a port that it builds on its own land.

Last year, the Transportation Ministry offered the management

of 50 ports to private operators, including some in Southeast Sulawesi and Gorontalo.

Indonesian Port Operators Association (ABUPI) chairman Aulia Febrial Fatwa, however, strongly criticized the handover plan, referring to it as a "monopoly practice" and "violation of the law".

"The ministry cannot just assign a company like that to manage government-run ports. It should be done through a bidding process," he said.

Separately, Pelindo III president director Orias P. Moeldak said the company was interested in the government-run port in Labuan Bajo, East Nusa Tenggara.

"We want that one. It should not be expensive," he said, adding that the company would allocate up to Rp 4.5 trillion for capital expenditure this year.

Meanwhile, Pelindo II corporate secretary Banu Astrini said it welcomed the plan, as the company previously had conducted studies on the feasibility of some government-run ports to be taken over by the company. She declined to reveal the specific ports it was interested in.

How is the investment climate?

Ministry of Transport Regulations

- Tariff, “profit” limit 25%, complex regulation, probably relates to return on capital
- Equity requirement, 1 Trillion Rupiah, US\$ 80m in cash
- There are other issues:
 - Is competition desired or not?
 - Master Plans need revision
 - Port Authorities are seeking a role but not leading investments
 - MoT has a PPP unit

BI Regulations

- International Tariff was set in US\$ for many years
- Requirement now is to set in Rupiah:
 - Higher borrowing costs
 - Risk increased
 - Benefits international shipping companies
- Some exceptions or exemptions have been granted

Demarcation of Containers

- Has been difficult to handle international and domestic containers at same terminal, it appears both harder and easier to do this (at the same time)

Negative List

- ASEAN investment vehicles preferred (60%?)
 - PPP preference removed (was 95%)
-

The way forward?

Ministry of Transport

- Needs to become investor friendly
- Planning and approval process must be streamlined

Port Authorities

- Policy tool or regulator?
- Regulator or project initiator?

The Pelindo's need to be good landlords and invest wisely

- Invest in the basic infrastructure no one else can afford
- Become good landlords
 - Joint Venture
 - Joint Operations
 - Long land leases

International Investors

- Focus on origin and destination traffic
 - Make sure you can deliver high quality operations
 - Explain the limits on their risk taking
 - Be in Indonesia for the long term
 - Keep your expectations realistic
 - 500,000 TEU in 20 years is a big terminal
 - Existing traffic may be below 100,000 TEU
 - Plan to support broader logistics changes in Indonesia
-

The key requirement?

“be clear who is running which projects
and ensure they have the authority, access
to cash and will to execute”

Thank You

David Wignall Associates

www.DavidWignallAssociates.com

David@DavidWignallAssociates.com

Tel: +65 9621 8738
