

## Chapter 10 PORT ADMINISTRATION, MANAGEMENT AND OPERATION

Firstly in this chapter, organizations and those functions related to the port administration, management and operation are briefly explained referring to newest laws, regulations, decrees and related study reports. In the next, the operation productivity at container terminals in neighboring countries, which is one of the most important aspects of the port development for the future, is introduced and analyzed specially.

References are in Appendix C.10.

### 10.1 Major Organizations of the Port Sector

Major organizations of the port sector are as follows;

- 1) Ministry of Communications(MOC) which issues administrative and manageable/operational policies for all ports
- 2) Directorate General of Sea Communication(DGSC) which executes more detailed MOC policies.
- 3) Regional Office of Communications(KANWIL) and Port Administration Office(ADPEL) which execute actual tasks under DGSC supervision
- 4) Indonesian Port Corporation I - IV(IPC I - IV) which are port management bodies
- 5) State Minister of Empowerment of State Owned Enterprises which is to empower state owned Enterprises and to encourage privatization process including IPC management

#### 10.1.1 Main Tasks and Functions of DGSC

Appendix C.10.1 "No. KM 41/1997 Organization and Working Procedure of DGSC"

Main tasks and functions of DGSC are as follows;

##### (1) Tasks

: to carry out a part of the main tasks of MOC in the sea transport sector in accordance with the policies determined by the Minister of Communications and based on related laws and regulations.

##### (2) Functions

: to formulate technical policies, provide guidance and standards for sea transportation and port activities, issue permits for ships and seamen and execute navigation aids, coast-guard and rescue.

### (3) Organization

DGSC comprises of:

Secretariat of the Directorate General

Directorate of Sea Transport

Directorate of Port and Dredging

Directorate of Marine Safety

Directorate of Navigation

Directorate of Coast-guard

#### 10.1.2 Organization and Working Responsibility of KANWIL and ADPEL

##### (1) KANWIL

Appendix C.10.2 “No. KM 89 / 1993 The Permanent Method of Implementing the Working Relationship of the Regional Office of MOC(KANWIL)”, “No. KM 55 / 1995 Organization and Working System of Regional Office of MOC”, “No. KM 13 / 1996 Perfecting of No. KM 89 / 1993 “

##### 1) Location

KANWIL is installed at each capital of province, almost same as other Regional Offices of Ministries and to the KANWIL, ADPELs, KAMPELs and other MOC Branch Offices are subjected.

##### 2) Duties

The main duty of KANWIL is to execute MOC policies of Planning Bureau, Directorates of Land, Sea and Air Communications in each provincial area as the vertical organization of MOC.

##### 3) Organization

For example, Type A KANWIL is organized as follows ;

- a. Administration Division
- b. Plan and Program Division
- c. Land Communication Division
- d. Sea Communication Division
- e. Air Communication Division

##### (2) ADPEL

Appendix C.10.3 “No. KM 35 / 1993 Organization and Working Order of Port Administration Office(ADPEL)”

### 1) Duties

ADPEL is positioned under and responsible to the Head of KANWIL.

ADPEL has duties to execute port activity services, to control and maintain the port basin/channel, sea transportation, harbor-master affairs, security of port and ship berthing as well as maritime service activities in the port.

### 2) Functions

a. composing the operational working plan of such as port activity services, harbor-master affairs, controlling and maintaining the port basin/channel and sea transportation traffic.

b. executing port services and port technical activities as well as controlling smoothness of sea traffic.

c. executing activities of ship berthing, safety, measurement and registration of ships as well as maritime service activities.

d. executing activities of security and orderliness in the port as well as Search and Rescue(SAR).

e. implementing fire-fighting and preserving from pollution in the port.

f. coordinating all other government agencies, working units and state-owned enterprises in the port.

### 3) classes of ADPELs

ADPELs are classified into 4 classes ;

- a. ADPEL Class II            1 location
- b. ADPEL Class III        8 locations
- c. ADPEL Class IV        21 locations
- d. ADPEL Class V        165 locations
- and                            351 Working Units

### 4) Organization

For instance, an ADPEL Class II consists of :

- a. Administration Subdivision
- b. Port Affairs Section
- c. Harbor-Master Affairs Section

## 10.1.3 Organization and Working Responsibility of IPC

### (1) Historical Background of IPC

Appendix C.10.4 "Corporate Profile - Indonesia Port Corporation II"

In 1960, the management of public ports in Indonesia has been undertaken by a state-owned company (BUMN) under the control of the Government.

The legal status of BUMN has been subjected to change in conformity with the Government policies in the effort to support the national development and to keep pace with the dynamic growth of port service demands.

The changes can be described in the following chronologies;

1960 - 1963

The management of public ports was conducted by the National Company as stipulated in Act No. 19 PRP / 1960.

1964 - 1969

The commercial aspects of the port were responsibilities of the National Port Company while the port operational activities were carried out by the Port Authority.

1969 - 1983

In this period, the management of ports was carried out by the Port Management Board based on Government Regulations No.1 and No.18 of 1969.

1983 - 1992

The management of public ports was differentiated into those which were commercially managed (commercial ports) and those non-commercially managed (non-commercial ports).

Commercial ports were managed by Public Port Corporations, which are state-owned companies. The management of non-commercial ports was done by operational units under the control of DGSC as stipulated in the Government Regulation No.11 of 1983.

PERUM Pelabuhan II (Public Port Corporation II) established by the Government Regulation No.15 of 1983 was one of four Public Port Companies to manage commercial ports.

1992 - Present

The change of the legal status of PERUM Pelabuhan II into PERSERO Pelabuhan Indonesia II (IPC-II, Indonesia Port Corporation-II) was in conformity with the Government Regulation No.57 dated October 19, 1991 and confirmed by Deed Notary No.3 dated December 1, 1992.

The transformation from PERUM Pelabuhan Indonesia into IPC-II has shown the Government trust on the basis of the successes made so far by the Port Company in managing commercial ports.

(2) Organization and Working Responsibilities of IPC

Appendix C.10.5 "Corporate Profile 1997 - IPC-II", "Decree of IPC-II with regards to Organization (HK. 56/2/15/PI.II-94)"

1) Board of Commissioners

: Chairman ( Director General of DGSC ) and 4 members

2) Board of Directors

: Managing Director and 4 Directors

3) Other Units of Organization

: 3 Bureaus and Internal Auditor

: Port Branches, Container Terminal, Port Hospital and Education & Training Center

4) Purpose and Business of IPC-II

Purpose of IPC-II is ;

: to execute and support the Government programs and policies in the field of economic development.

: to guarantee the corporation growth by operating port service business

To achieve above mentioned purpose, IPC-II has to operate businesses in the field of ;

: port basin and waters for ship traffic

: pilotage and tugboat

: quay and other mooring facilities for loading/unloading

: transit-shed, loading/unloading facilities and equipment

: land for providing buildings, yards and others

: providing electricity, freshwater and waste disposal

: port terminal service

: consultant service, education training

## 10.2 Present Situation of Port Administration and Management/Operation

### 10.2.1 "No. 21 / 1992 Shipping Law"

Appendix C.10.6

"Shipping Law", among others, is the fundamental law which support the port administration and management/operation in Indonesia issued in September 1992. This is

made up of essential articles and provisions so that supplemental regulations and decrees are necessary for the actual implementation of port administration and management/operation works.

10.2.2 “PR No. 70 / 1996 Port Affairs”

Appendix C.10.7

This Government Regulation is to supplement above introduced “Shipping Law” for its actual implementation of port affairs, and is the newest one. But for more detailed implementation procedures, it shall be necessary to prepare another Minister of Communications Decrees and others.

10.2.3 “Draft KM Procedure of Port Master Plan Arrangement”

Appendix C.10.8

In Paragraph 17 of “PR 70 /1996 Port Affairs”, it is stipulated that the Minister of Communications determines the port master plan after obtaining opinions from the local government and other relevant authorities, and also prepares the standards of port facilities etc. To cope with this stipulation, DGSC is now preparing “Draft KM Procedure of Port Master Plan Arrangement”.

10.2.4 “Draft KM National Port Affairs Arrangement”

Appendix C.10.9

In order to supplement “No. 21 / 1992 Shipping Law” for its actual implementation, “PR No. 70 / 1996 Port Affairs” was issued. And for more detailed implementation procedures to be made clear, this “Draft KM National Port Affairs Arrangement” is now preparing in the fields of port planning, port use and port control affairs, by DGSC.

10.2.5 “No. IM-7/AL-3011/PHB-1995 The Realization of One Roof Service Center for Ship and Loading/Unloading Services in Tg. Priok Port”

Appendix C.10.10

The try-out of One Roof Service Center for ships and loading/unloading in Tg. Priok Port was implemented by No. IM 4/AL 3014/PHB-1995. Then, by No. IM-7/AL-3011/PHB 1995, the try-out period was extended until the completion of the hardware and software structures.

### 10.3 Recommendations on Related Items Shown in Recent Study Reports

- (1) Appendix C.10.11 "The Study on Integrated Modernization Plan for Sea Transportation in Eastern Indonesia (3. 1994 JICA)"
- (2) Appendix C.10.12 "The Study on the Master Plan of Container Cargo Handling Ports, Dry Ports and Connecting Railways in the Republic of INDONESIA (7. 1995 JICA)"
- (3) Appendix C.10.13 "Technical Assistance Services for a Ports Development Strategy Study for the Southern Sumatra and West Java Region (7. 1996 WB)"
- (4) Appendix C.10.14 "Balikpapan, Banjarmasin and Gresik Ports Development Projects(11. 1996 ADB)"

### 10.4 Productivity of Container Handling

#### 10.4.1 The Port of Tanjung Priok

##### (1) Facilities

In the Port of Tanjung Priok, there are three container terminals, CT I, CT II and CT III, and one conventional terminal, Pasoso Terminal. The CT I has berths (total length 900m, width 27m, depth 11m), the CT II has berths (total length 510m, width 16, depth 8.6m), the CT III has berths (total length 450m, width 40m, depth 14.0m). The CT I has a container yard, area of 31.4Ha, capacity of 27,800TEUs. The CT II has a container yard, area of 6.8 Ha, capacity of 7,400TEUs. The CT III has a container yard, area of 15 Ha, capacity of 12,900 TEUs. CT III has CFS of 4,500m<sup>2</sup>. Table 10.4.1 shows facilities of the Port of Tanjung Priok.

##### (2) Equipment

There are eighteen gantry cranes, four harbor mobile cranes, fifty six transtainers, four reach stackers, twenty nine forklifts, 114 head trucks and 129 trailers. Table 10.4.2 shows equipment of Tanjung Priok Container Terminal CT I, CT II, CT III, and Pasoso Terminal.

##### (3) Automation and EDI

Tanjung Priok Container Terminals have been using computerized system since 1984 to handle all activities at the terminals, starting from ship planning, yard planning, container tracking, up to billing and processing of other documents required. To support the decision process, there are other information management systems, such as Operational(SIMOP), Personnel(SIMPERS), Technical(SIMTEK) and Financial(SIMKEU). The terminals have an Information Center equipped with a computer system that can make the clients much more convenient to seek a prompt information response.

The terminals have applied The Electronic Data Interchange(EDI) systems connected to shipping companies and customs, to give an integrated and paperless service to the clients, coordinated by PT.EDI Indonesia.

This electronics exchange of information will be extend to other container depos, trucking companies.

#### (4) Container throughput

Container throughput at the Port of Tanjung Priok from 1978 to 1997 is shown in Table 10.4.3 and Figure 10.4.1 Recent year the container throughput at the Port of Tanjung Priok became almost 2 million TEUs.

#### (5) Productivity

##### 1) Utilization of the facilities in 1995

Utilization of the facilities are reported as follows.

- a. Berth Occupancy Ratio is 82.99(%)
- b. Berth Throughput is 1037.47(T/m/year).
- c. Yard Occupancy Ratio is 60.05(%)
- d. Yard Throughput is 114.84(TEUs//Year).

##### 2) Productivity of loading and unloading in 1995

a. Container handling productivity (annual container throughput/total length of berths) is about 1,139.6TEUs/m(=1,499,437TEUs/1,410m).

b. Quay crane operational productivity( annual container throughput/total number of quay cranes) is 88,202TEU /crane/Year(=1,499,437TEUs/17unit).

##### 3) Container turnover in storage in 1995

Container turnover in storage(annual container throughput/storage capacity) is 42.59Times/Year ( 1,499,437TEUs/35,204TEUs).

### 10.4.2 The Port of Hong Kong

#### (1) Facilities, equipment and container throughput

Four private companies currently operate the terminals at Kwai Chung Container Port in the Port of Hong Kong. They are Hongkong International Terminals Limited(HIT), Modern Terminals Limited(MTL), sea-Land Orient Terminals(SLOT), and the joint venture of HIT and China Ocean Shipping Company(COSCO) named CHT. Table 10.4.4 shows HIT's facilities, equipment and container throughput. Table 10.4.5 shows MTL's facilities, equipment and container throughput.



## (2) Automation and EDI

### 1) HIT

A Yard Planning Computer System handles the container, cargo and yard planning operations and associated documentation. The Ship Planning Systems(SHIPS) enables two computer screens to link a profile of the vessel together with the yard stacks of containers to be loaded. The Information Exchange System(IES), a comprehensive data-based managing system, has been installed and shipping lines have direct access to selected data on the system. Container yard operations are supervised from the control tower where operators' man groups of modular consoles which are each provided with a trunk radio system, a computer terminal, a closed circuit television and an internal telephone.

### 2) MTL

MTL has invested heavily in information technology. A Gatehouse Automation project, incorporating tractor identification, voice appointment and booking information, was commissioned in May 1994. RTG Auto-steering, Radio Data Transmission, and Synchronised Planning and Real-time Control systems are also used to enhance operational efficiency and customer service. Detailed cargo information is exchanged with shipping lines through Electronic Data Interchange technology.

A new computer application - Customer Information Services System (CIS) was implemented in mid-August 1996. The system enables shipping companies to retrieve on-line real-time information of MTL operations such as container information and vessel berthing schedules.

## (3) Productivity

### 1) Productivity of loading and unloading in 1995

a. Container handling productivity (annual container throughput/total length of berths) is about 1,017TEUs/m/year(=4,000,000TEUs/3,932m) at HIT, and 1,115TEUs/m/year at MTL.

b. Quay crane operational productivity( annual container throughput/total number of quay cranes) is 88,889TEUs/crane/year(=4,000,000TEUs/45unit) at HIT and 106,937TEUs /crane /year(= 2,111,568TEUs/19unit) at MTL.

### 2) Container turnover in storage in 1995

Container turnover in storage (annual container throughput/storage capacity) is 47.09times/year(=4,000,000TEUs/year/84,951TEUs) at HIT and 41.32times/yaer(= 2,111,568TEUs /year/51,100TEUs) at MTL.

### 10.4.3 The port of Singapore

PSA corporation was privatized on 1 Oct., 1997, and has about seventy of direct-call liner services. PSA corporation operates four container terminals, they are Tanjong Pagar Terminal, Keppel Terminal, Brani Terminal and newly developed Pasir Panjang Terminal covering 259 hectares.

#### (1) Facilities, equipment and container throughput

Table 10.4.6 shows PSA's facilities, equipment and container throughput.

#### (2) Automation and EDI

Tanjong Pagar Terminal has computer systems;

Hardware: IBM 3081 G32, NAS 9060.

Software: in-house Functions: invoicing, container inventory, stowage planning, yard allocation, CFS operations

Pasir Panjang Terminal is being built. Phase I of the development, operation is start with four berths by 1998. They introduce computer aided crane operation systems with which one operator can operate 5 cranes simultaneously in remote control room.

Brani Terminal has computer systems;

Functions: ship and yard planning, stowage planning, berth allocation, mobile radio data transmission, container number recognition.

#### (3) Productivity

##### 1) Productivity of loading and unloading in 1995

a. Container handling productivity (annual container throughput/ total length of berths) is about 1,919TEUs/m/year (=4,110,000TEUs/2,142m) at Tanjong Pagar Terminal, 1,770TEUs /m/year (=4,930,000TEUs/2,785m) at Keppel Terminal and 1,592TEUs/m/year (=3,780,000TEUs/2,375m) at Brani Terminal.

b. Quay crane operational productivity( annual container throughput/total number of quay cranes) is 137,000TEUs/crane/year(=4,110,000TEUs/30unit) at Tanjong Pagar Terminal, 136,944TEUs/crane/year(=4,930,000TEUs/36) at Keppel Terminal and 121,9357TEUs /crane /year(= 3,780,000TEUs/31unit) at Brani Terminal.

##### 2) Container turnover in storage in 1995

Container turnover in storage (annual container throughput / storage capacity) is about 256.88times/year (=4,110,000TEUs/16,000TEUs) at Tangong Pagar Terminal, 344.37 times/year (=4,930,000TEUs/14,316TEUs) at Keppel Terminal and 252.00times/year

(=3,780,000TEUs/15,000 TEUs) at Brani Terminal.

#### 10.4.4 The Manila International Container Terminal(MICT)

##### (1) Facilities, equipment and container throughput

The International Container Terminal Service Inc.(ICTSI), a consortium of private firms, took over operations of the Manila International Container Terminal(MICT) on June 12, 1988. Table 10.4.7 shows facilities, equipment and container throughput of the MICT in 1996.

##### (2) Automation and EDI

The MICT has a computer system of two IBM System 36s and 54, microcomputers and extensive peripherals.

##### (3) Productivity

###### 1) Productivity of loading and unloading in 1996

a. Container handling productivity (annual container throughput/ total length of berths) is about 936TEUs/m/year (=842,464TEUs/900m).

b. Quay crane operational productivity( annual container throughput/total number of quay cranes) is 93,607TEUs/crane/year(=842,464TEUs/9unit).

###### 2) Container turnover in storage in 1996

Container turnover in storage (annual container throughput / storage capacity) is about 44.34times/year (=842,464TEUs/19,000TEUs).

#### 10.4.5 The Laem Chabang Port

##### (1) Facilities, equipment and container throughput

The Port Authority of Thailand(PAT) is in overall charge of the administration of the Laem Chanbang Port. In order to maximize utilization of the port, and to stimulate private sector investment and participation in sea port operations, PAT contracted the operation of the port's terminals to private operators. One of them is TIPS CO., LTD.

Table 10.4.8 shows facilities, equipment and container throughput of the Laem Chanbang Port.

##### (2) Automation and EDI

TIPS container terminal has computer network linked with the port, shipping line, importer and exporter and custom. With this system, they can minimize the error in documentation, reduce the paper work processing, and avoid unnecessary procedure. Furthermore, the

computer network at TIPS is implemented with supporting software allowing them to manage a wide array of information namely, Navis Software System, EDI, LAN, Internet. Navis container terminal management system(NTMS) is a client/server open system suite of database software modules that function as a complete, integrated, turnkey solution for container terminal operations. Hardware is IBM AS/400 D35.

### (3) Productivity

#### 1) Productivity of loading and unloading in 1996

a. Container handling productivity (annual container throughput/ total length of berths) is about 607TEUs/m/year (=728,630TEUs/1,200m).

b. Quay crane operational productivity( annual container throughput/total number of quay cranes) is 91,079TEUs/crane/year(=728,630TEUs/8unit).

Table 10.4.1 Cargo Handling Facilities of Tanjung Priok Port

Facilities	CT I	CT II	CT III	Pasoso Terminal	Total	
Berth	Length(m)	900	510	450	1,860	
	Width(m)	27	16			
	Depth(m)	11	8.60	14		
Yard	Area(Ha)	31.40	6.83	15.00	1.50	54.73
	Capacity(TEUs)	27,805	7,399	12,900	714	48,818
CFS Warehouse						
Area(m2)				4,500	4,500	

Source: Brochure of IPC II

Table 10.4.2 Cargo Handling Equipment of Tanjung Priok Port

Equipment	CT I	CT II	CT III	Pasoso Terminal	Total
Gantry Cranc(unit)	8	5	5		18
HMC(unit)	3	1			4
Transtainer(unit)	31	13	12		56
Reach Stacker(unit)	2	1		1	4
Forklift(unit)	13	7		9	29
Head Truck(unit)	59	15	40		114
Trailer(unit)	66	18	45		129

Source: Brochure of IPC II

Table 10.4.3 Container Throughput

Year	Unloading	Loading	Total
1978	1,135	1,220	2,355
1979	16,329	19,667	35,996
1980	30,626	29,745	60,371
1981	48,384	48,934	97,318
1982	60,259	59,401	119,660
1983	64,592	63,661	128,253
1984	82,031	75,661	157,692
1985	78,384	75,960	154,344
1986	95,703	88,501	184,204
1987	106,534	96,990	203,524
1988	134,094	123,184	257,278
1989	177,372	159,864	337,236
1990	249,708	227,772	477,480
1991	316,170	305,398	621,568
1992	400,383	415,268	815,651
1993	477,263	501,042	978,305
1994	564,706	599,426	1,164,132
1995	642,778	657,338	1,499,437
1996			1,606,802
1997			1,954,552

Source: IPC II

Figure 10.4.1 Container Throughput

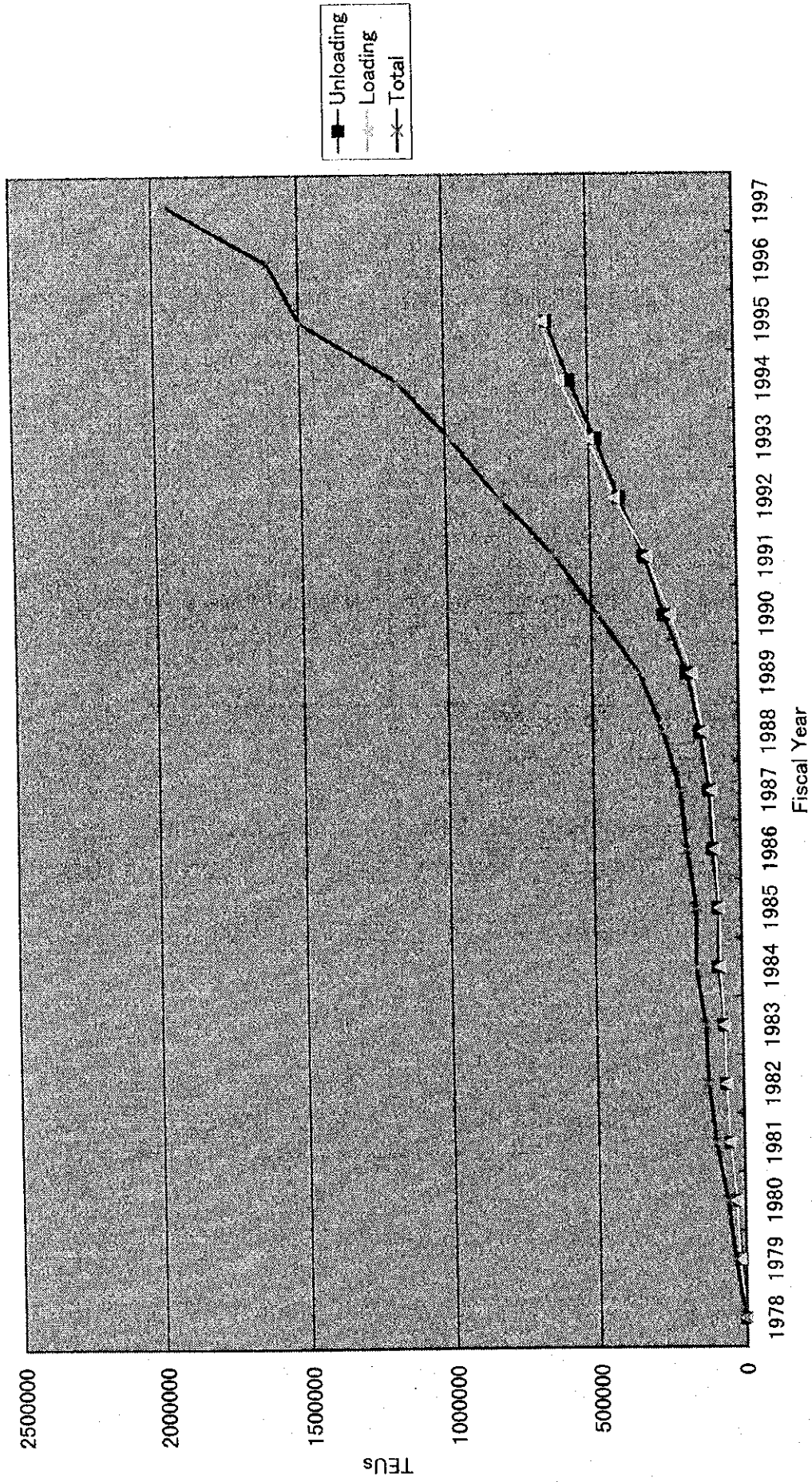




Table 10.4.4 HIT's Container Handling Facilities

Facilities	Container Terminals 4,6,&7	Container Terminal 8 East	Terminal 9
Total Area(hectares)	89	30	19
Ship Berths	10	2	2
Barge Berths	2	4-5	-
Total Berth Length(m)	3,292	640	700
Minimum Depth Alongside(m)	12.2-14.5	15	14.5
Quay Cranes	32	9	10
Harbor Cranes	3	1	*
Rubber Tyred Gantry Cranes	102	32	*
Rail Mounted Gantry Cranes	24	-	*
Bridge Cranes	12	-	*
Front Loaders(Empty)	16	2	*
Top Lifters(Laden)	5	1	*
Stacking Capacity(TEUs)	61,137	23,814	20,000-25,000
Hong Kong International Distribution Centre(sq m)	293,231	-	

Source: Brochure of HIT

Table 10.4.5 MTL's Container Handling Facilities

Facilities	Container Terminals 1,2,5&8(West)
Total Area(hectares)	80.8
Berths	5
Total Berth Length(m)	1,822
Quay Cranes	19
Rubber Tyred Gantry Cranes	68
Rail Mounted Gantry Cranes	7
Shassis	132
Folklift	27
Stacking Capacity(TEUs)	51,100
Warehouse(m2)	112,585
Reefer Points	2,430
CFS(m2)	5,249

*Source: Brochure of Marine Department*

Table 10.4.6 Facilities and Equipment of the Port of Singapore

	Terminal			
	Tanjong Pagar	Keppel	Brani	Pasir Panjang
Area(hectar)	83	96	80	65
Draft(m)	9-14.8	9.6-14.6	12-15	15
Berths	Main	6	5	7
	Feeder	2	8	2
Wharf Length(m)	2,142	2,785	2,375	1,450
Quay Cranes	30	36	31	14
Yard Cranes	94	117	112	42
Reefer Points	1,035	936	1,344	648
Storage(TEUs)	16,000	14,316	15,000	
CFS(m2)		29,000		166,000
Throughput(1996)(TEUs)	4,110,000	4,930,000	3,780,000	

Source: <http://www.singapore.gov.sg>

Table C.10.4.7 MICT's Container Handling Facilities

Facilities		Remarks
Total Area(sq. m)	290,321	
Berths	4	
Total Berth Length(m)	900	
Quay Cranes	9	40 tons
Rubber Tyred Gantry Cranes	21	5high & 6 wide
Tractors	76	
Reachstackers	10	
Shassis	149	
Folklift	47	
Stacking Capacity(TEUs)	19,000	
Reefer Points	216	
CFS(m2)	28,000	
Container throughputTEUs(1996)	842,464	

*Source: Brochure of Philippine Port Authority*

Table 10.4.8 Container Handling Facilities of the Port of Laem Chabang

Facilities		Remarks
Berths	5	
Total Berth Length(m)	1,600	
Quay Cranes	3	55 tons
Gantry cranes	9	40 tons
Transtainers	35	40 tons
Reachstackers	9	40 tons
Tractor for trailer	100	40 tons
Container throughput TEUs(1996)	728,630	

*Source: Brochure of the Port Authority of Thailand*



## Chapter 11 FINANCE OF THE PORT DEVELOPMENT AND MANAGEMENT

### 11.1 Financial Situation of the Government

#### 11.1.1 Economic Situation of Indonesia

Economic statistics of Indonesia are shown in Table 11.1.1 ;

Table 11.1.1 Economic Situation of Indonesia

GDP (1996)		US\$227 billion	
GDP per capita (1996)		US\$1,155	
Economic growth	REPELITA V (1988-93)	Plan	5.0% per year
		Actual	6.9% per year by old standard (actual)
		FY1988	5.8% per year (actual)
		FY1989	7.5% per year (actual)
		FY1990	7.2% per year (actual)
		FY1991	6.9% per year (actual)
		FY1992	6.5% per year (actual)
		FY1993	8.1% per year (actual)
	REPELITA VI (1994-98)	Plan	7.1% per year
		FY1994	7.5% per year (actual)
		FY1995	8.1% per year (actual)
FY1996		7.9% per year (actual)	
National Budget (FY1997)		Rp.101,086 billion	
Trade (1995)	Export	US\$45,418 million (13.3% increase compared with last year)	
	Import	US\$40,628 million (27% increase compared with last year)	

Source : BAPENAS

Indonesia has experienced great success in implementing its long term development plan. The country has achieved actual growth of 7.5% in 1994, 8.1% in 1995 and 7.9% in 1996, although the projected growth rate in Sixth FYDP was only 7.1% per year. In addition, the per capita income reached US\$980 in 1995 and US\$1,155 in 1996, and the income in 1999 was expected to reach US\$1,280.

However, drastic Rupiah depreciation occurred in latter part of 1997. The government has determined to accept financial support from IMF to cope with the severe currency crisis. In accordance with the agreement, IMF forced the government to implement an austere financial plan through expenditure-reduction and tax-increase.

Therefore, the government had no choice but to reevaluate or amend not only its projected economic growth rate but also projected per capita income in "1998 revised budget". The government predicts in "1998 revised budget" that economic growth will be -12% and inflation rate will reach approximately 70%.

Hereafter, the government will be obliged to deal with severe financial difficulties, especially on large scale development projects.

### 11.1.2 Financial Situation of Port Development and Operation

#### (1) Budget for Port Development in Transportation Sector

Budget used for the whole transportation sector in national budget accounts for 5% or so as shown in Table 11.1.2. In the transportation sector, the budget in FY 1997 for road development ranks top, and after that, budget for development of railroad, airport and port follow. Budget in FY 1997 used for port development is about Rp.288 billion, accounting for only 6% in whole transportation sector.

Table 11.1.2 Total Budget for Transportation Sector and Budget for Port Development in the Last Five Fiscal Years

(Unit : Rp.billion)

Description	FY 1993	1994	1995	1996	1997
National budget	62,322	69,749	78,024	90,616	101,086
Transportation sector (% in national budget)	3,425 (5.5%)	3,637 (5.2%)	3,845 (4.9%)	4,752 (5.2%)	4,656 (4.6%)
① Road (% in transportation sector)	2,042 (60%)	2,157 (59%)	2,306 (60%)	2,320 (49%)	2,442 (52%)
② Railroad (% in transportation sector)	347 (10%)	421 (12%)	445 (12%)	662 (14%)	647 (14%)
③ Airport (% in transportation sector)	525 (15%)	396 (11%)	322 (8%)	585 (12%)	491 (11%)
④ Port Development (% in transportation sector)	226 (7%)	332 (9%)	257 (7%)	227 (5%)	288 (6%)
⑤ Others * (% in transportation sector)	285 (8%)	331 (9%)	515 (13%)	958 (20%)	788 (17%)

\* Note 1 : Others include ferry transportation, road safety, marine safety and meteorology.

Note 2 : The data includes foreign aid portion.

Source : BAPENAS



## (2) Composition of National Budget for Port Development

There are 656 commercial ports in Indonesia. While the 112 profitable ports are managed and operated by four Indonesia Port Corporations (IPC I ~ IV), the other 544 small unprofitable ports, whose main purpose is to transport goods for people, are directly managed by the government. National budget for port development is managed by " DGSC " (Directorate General of Sea Communications) in MOC.

National budget for port development comprises two portions as follows;

- 1) National budget for the development of the ports managed by IPC
- 2) National budget for the development of non-commercial ports

National budget for port development to IPC ports and non-commercial ports in the last three years is referred to in Table 11.1.3. The share of the budget for non-commercial ports increase from 30% in FY 1996 to 49% in FY 1997, while that for IPC ports decrease from 70% in FY 1996 to 51% in FY 1997.

Table 11.1.3 National Budget for Port Development to IPC Ports and Non Commercial Ports in the Last Three Years

(Unit : Rp.million)

Item		FY 1995	1996	1997
IPC Ports	Government Budget	59,722	79,364	55,578
	Foreign Loan	101,173	79,995	90,441
	Total	160,895 (62%)	159,359 (70%)	146,019 (51%)
Non commercial Ports	Government Budget	60,203	45,480	77,608
	Foreign Loan	36,387	21,977	60,453
	Total	96,590 (38%)	67,457 (30%)	138,061 (49%)
Grand Total		257,485	226,816	284,060

Note : Foreign loan includes loan from OECF, IBRD and others.

Source : DGSC

## (3) National Budget for the Development of IPC Ports

The government has been providing financial support to IPC. The contents of the support are ;

- 1) Channel dredging
- 2) Navigation safety
- 3) Construction of wharves and yards (depends upon the financial situation of IPC)

On the other hand, in principle, the government doesn't support the next items financially, and thus IPC must do on their own.

- 1) Maintenance dredging in basin
- 2) Construction of wharves and yards
- 3) Construction of warehouses, shed, CFS
- 4) Purchase of cargo handling equipment such as gantry cranes and transtainers
- 5) Construction of related roads and other infrastructures

(4) Financial Sources for Port Development of IPC ports

The budget of IPC for port development comprises three financial sources, that is, "own budget", "national budget" and foreign loans". Financial sources of IPC I ~ IV in the first three years (1994-1996) in REPELITA VI is shown in Table 11.1.4.

Table 11.1.4 Financial Sources of IPC I ~ IV for the Port Development in the First Three Years in REPELITA VI

(Unit : Rp.million)

No.	Port Corporation	Financial Source			Total
		IPC Budget	National Budget	Foreign Loan	
1	IPC I	12,027 (21%)	22,758 (39%)	23,418 (40%)	58,203 (100%)
2	IPC II	340,408 (96%)	9,225 (3%)	3,008 (1%)	352,641 (100%)
3	IPC III	95,796 (31%)	97,751 (31%)	120,024 (38%)	313,571 (100%)
4	IPC IV	5,613 (3%)	67,089 (39%)	97,749 (58%)	170,451 (100%)
Total		453,844	196,823	244,199	894,866

Note : Percentage : proportion of budget by finance source in total budget of each IPC

Source : DGSC

The Table reveals the following ;

- 1) Budget of IPC II and III is far larger than that of IPC I and IV.
- 2) While IPC II doesn't depend on national fund at all, other IPCs fully depend on it.
- 3) In particular, IPC IV's own budget is very small, and 97 percent of its budget comes from national budget and foreign loan.

(5) National Budget for the Development of Non-commercial Ports

Non-commercial ports are directly managed and operated by the government. Thus, the government directly spends national budget for the development and operation of those ports.

Generally, most of non-commercial ports can't cover the operational costs with the operational revenues. The total deficit in 1991 amounts to about Rp.3 billion, and the average deficit per port reaches Rp.6 million. For reference, the financial situation in 1991 by province is shown in Table 11.1.5.

Table 11.1.5 Financial Situation of Non-commercial Ports by Province in 1991  
(Unit : Rp.1000)

N O	Province	Number of non-commercial ports			Operational Income	Operational Costs	Balance
		Main	Branch	Total			
1	Jambi	2	6	8	543	26,627	-26,084
2	Bali	3	4	7	128	29,368	-29,240
3	South Sumatra	3	0	3	101,359	60,731	40,628
4	East Jawa	9	9	18	7,654	143,850	-136,196
5	Lampung	5	6	11	5,371	119,240	-113,869
6	North Sumatera	15	30	45	50,857	197,783	-146,926
7	West Kalimantan	3	1	4	16,948	51,776	-34,828
8	Riau	17	28	45	192,315	638,007	-445,692
9	Bengkulu	2	1	3	0	0	0
10	Ache	6	4	10	53,256	128,852	-75,596
11	Central Jawa	7	3	10	7,582	203,460	-195,878
12	West Sumatera	3	3	6	408	62,671	-62,263
13	West Jawa	8	5	13	11,001	331,440	-320,439
Western Indonesia Total		83	100	183	447,424	1,993,805	-1,546,381
14	South Kalimantan	4	0	4	0	63,275	-63,275
15	East Kalimantan	11	2	13	156,722	126,732	29,990
16	West Nusa Tenggara	5	7	12	976	52,952	-51,976
17	Central Sulawesi	12	10	22	82,081	231,943	-149,862
18	East Nusa Tenggara	9	21	30	39,899	123,395	-83,496
19	South East Sulawesi	5	28	33	70,336	97,913	-27,577
20	Irian Jaya	16	92	108	86,304	440,912	-354,608
21	North Sulawesi	9	27	36	73,763	266,378	-192,615
22	Maluku	20	36	56	101,080	433,855	-332,775
23	South Sulawesi	16	21	37	64,573	322,177	-257,604
24	East Timour	3	6	9	2	30,048	-30,046
25	Central Kalimantan	2	1	3	0	27,228	-27,228
Eastern Indonesia Total		112	251	363	675,736	2,216,808	-1,541,072
Grand Total		195	351	546	1,123,161	4,210,613	-3,087,452

Source : DGSC

## 11.2 Financial Situation of IPC I ~ IV

As mentioned before, the 112 profitable commercial ports are managed and operated by four Indonesia Port Corporations (IPC) I ~ IV. The financial scale of each IPC in terms of budget, performance and property is different from each other.

Generally speaking, IPC II has been enjoying a large amount of profit while IPC I and IV have been earning small profits. Personnel number of each IPC is referred to in the following Table 11.2.1, and the financial performances and the summary balance sheets of each IPC are referred to in Table 11.2.2 ~ 11.2.9.

Net income of IPC I ~ IV in the last four years is referred to in Figure 11.2.1, and total assets of IPC I ~ IV in the last four years is referred to in Figure 11.2.2. Furthermore, operating revenues and expenses of IPC I ~ IV are summarized in Figure 11.2.3.

Table 11.2.1 Personnel Number (Officers) of IPC in the Last Five Years

Item	1992	1993	1994	1995	1996
IPC I	1,621	1,616	1,623	1,561	1,571
IPC II	5,405	5,286	5,176	5,070	5,086
IPC III	3,482	3,484	3,434	3,444	3,444
IPC IV	1,508	1,491	1,465	1,442	1,428
Total	12,016	11,875	11,698	11,517	11,529

Note : The number includes all personnel directly employed by IPC.

Source : IPC I ~ IV

Table 11.2.2 Financial Performance of IPC I in the Last Five Years

(Unit : Rp.million)

Item	1992	1993	1994	1995	1996
Revenue	75,956	77,876	83,999	104,149	117,618
Cost	34,963	37,661	40,253	47,883	53,252
Depreciation cost	8,166	12,769	13,865	15,385	17,875
Profit before tax	32,827	27,446	29,881	40,881	46,491
State income tax (Tax % against profit)	10,191 (31%)	6,073 (22.1%)	8,537 (28.6%)	10,813 (26.4%)	7,429 (15.9%)
Net income	22,636	21,373	21,344	30,068	39,062

Source : IPC I

Table 11.2.3 Summary of Balance Sheets of IPC I in the Last Five Years

(Unit : Rp.million)

Item	1992	1993	1994	1995	1996
Current assets	75,355	94,045	99,335	117,403	131,215
Fixed assets					
Acquisition Cost	856,289	873,604	889,732	964,749	1,009,438
Accumulated depreciation	899	12,058	23,496	36,820	50,760
Net fixed assets	855,390	861,546	866,236	927,929	958,678
Construction in progress	0	2,872	129	1,541	1,154
Other assets	7,890	6,904	6,499	9,693	28,440
Total	938,635	965,367	972,199	1,056,566	1,119,487
Current liabilities	21,538	15,655	9,298	12,298	16,102
Long-term liabilities	9,322	9,471	11,393	11,198	8,648
Capital + capital reserve	906,303	917,396	930,165	1,003,002	1,055,675
Retained earnings	1,472	22,845	21,343	30,068	39,062
Minorities	0	0	0	0	0
Total	938,635	965,367	972,199	1,056,566	1,119,487
Financial ration					
Return on F/A(%)	2%	2%	2%	3%	3%

Note : Return on F/A = operating income to net fixed assets

Source : IPC I

Table 11.2.4 Financial Performance of IPC II in the Last Four Years

(Unit : Rp.million)

Item	1993	1994	1995	1996
Revenue	268,576	317,656	440,198	519,062
Cost	130,129	150,624	221,830	263,359
Depreciation cost	34,908	36,103	38,455	45,297
Profit before tax	103,539	130,929	179,913	210,406
State income tax (Tax % against profit)	24,754 (23.9%)	43,784 (33.44%)	49,739 (27.64%)	43,758 (20.79%)
Net income	78,785	87,145	130,174	166,648

Source : IPC II

Table 11.2.5 Summary of Balance Sheets of IPC II in the Last Four Years

(Unit : Rp.million)

Item	1993	1994	1995	1996
Current assets	173,685	166,499	154,730	212,416
Long-term investment	0	0	273	18,674
Payment of bond fund	0	0	3,000	7,433
Fixed assets				
Acquisition Cost	2,484,229	2,506,631	2,586,752	2,672,624
Accumulated depreciation	37,266	72,410	109,771	152,448
Net fixed assets	2,446,963	2,434,221	2,476,981	2,520,176
Construction in progress	49,714	206,512	306,131	543,007
Intangible assets	0	0	8,071	11,549
Other assets	14,260	14,778	10,917	3,666
Total assets	2,684,622	2,822,010	2,960,103	3,316,921
Current liabilities	69,973	73,478	138,291	216,947
Long-term liabilities	182,254	268,200	245,799	443,777
Capital + capital reserve	2,346,751	2,346,751	2,570,945	2,644,761
Retained earnings	85,645	133,581	0	0
Government assistance	0	0	3,073	10,008
Minorities	0	0	1,994	1,429
Total liabilities & capital	2,684,623	2,822,010	2,960,102	3,316,921
Financial ration				
Return on F/A(%)	3%	5%	7%	6%

Note : Return on F/A = operating income to net fixed assets

Source : IPC II

Table 11.2.6 Financial Performance of IPC III in the Last Five Years

(Unit : Rp.million)

Item	1992	1993	1994	1995	1996
Revenue	106,910	131,840	159,844	215,618	245,003
Cost	68,047	81,665	86,558	104,518	115,342
Depreciation cost	18,299	26,283	26,907	26,882	29,474
Profit before tax	20,564	23,892	46,379	84,218	100,187
State income tax	1,832	5,266	13,688	21,394	22,163
Tax % against profit	(8.9%)	(22%)	(29.5%)	(25.4%)	(22%)
Net income	18,732	18,626	32,691	62,824	78,023

Source : IPC III

Table 11.2.7 Summary of Balance Sheets of IPC III in the Last Five Years

(Unit : Rp.million)

Item	1992	1993	1994	1995	1996
Current assets	133,258	138,911	159,643	197,670	225,197
Fixed assets					
Acquisition Cost	1,000,345	1,017,650	1,051,839	1,094,529	1,158,439
Accumulated depreciation	2,148	28,289	54,834	81,716	110,154
Net fixed assets	998,197	989,361	997,005	1,012,813	1,048,285
Construction in progress	5,980	9,507	20,127	32,634	26,899
Other assets	10,372	13,524	35,474	18,808	33,539
Total assets	1,147,807	1,151,303	1,212,249	1,261,925	1,333,920
Current liabilities	83,870	46,553	73,061	56,341	71,632
Long-term liabilities	217,863	217,862	183,889	187,637	170,971
Other liabilities	10,379	20,903	40,115	55,121	128,264
Shareholder's equity	835,695	865,986	915,184	962,826	963,054
Total liabilities & capital	1,147,807	1,151,304	1,212,249	1,261,925	1,333,921
Financial ration					
Return on F/A(%)	2%	3%	5%	9%	9%

Note : Return on F/A = operating income to net fixed assets

Source : IPC III

Table 11.2.8 Financial Performance of IPC IV in the Last Five Years

(Unit : Rp.million)

Item	1992	1993	1994	1995	1996
Revenue	38,028	44,787	47,489	61,842	66,984
Cost	23,440	25,720	31,396	40,059	41,842
Depreciation cost	6,762	5,042	6,477	7,295	9,548
Profit before tax	7,826	14,025	9,616	14,488	15,594
State income tax	3,475	4,466	1,906	3,159	3,415
Tax % against profit	(44.4%)	(31.8%)	(19.8%)	(21.8%)	(21.9%)
Net income	4,351	9,559	7,710	11,329	12,179

Source : IPC IV

Table 11.2.9 Summary of Balance Sheets of IPC IV in the Last Five Years

(Unit : Rp.million)

Item	1992	1993	1994	1995	1996
Current assets	38,608	43,020	35,275	35,015	37,484
Fixed assets					
Cost	321,726	356,575	413,743	434,084	453,662
Accumulated depreciation	350	5,311	11,023	18,318	26,156
Net fixed assets	321,376	351,264	402,720	415,766	427,506
Construction in progress	30,160	14,909	1,779	4,349	10,483
Other assets	5,185	6,537	16,465	21,611	22,942
Total assets	395,329	415,730	456,239	476,741	498,415
Current liabilities	18,016	15,501	10,790	10,379	9,817
Long-term liabilities	39,998	52,744	54,930	65,956	61,910
Other liabilities	3,682	3,246	10,639	1,083	1,156
Shareholder's equity	333,607	344,239	379,880	399,323	425,532
Total liabilities & capital	395,329	415,730	456,239	476,741	498,415
Financial ration					
Return on F/A(%)	1%	3%	2%	4%	4%

Note : Return on F/A = operating income to net fixed assets

Source : IPC IV



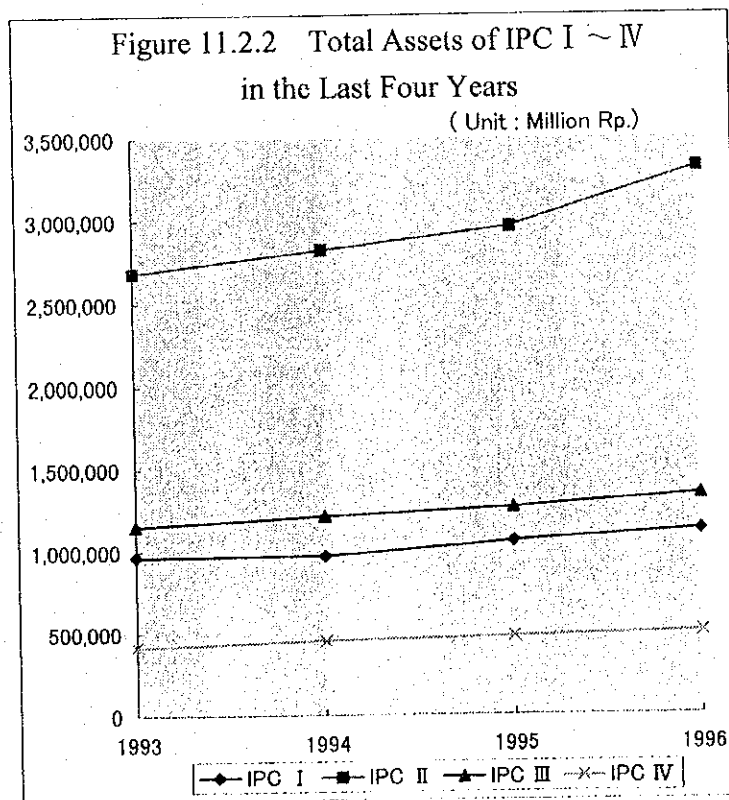
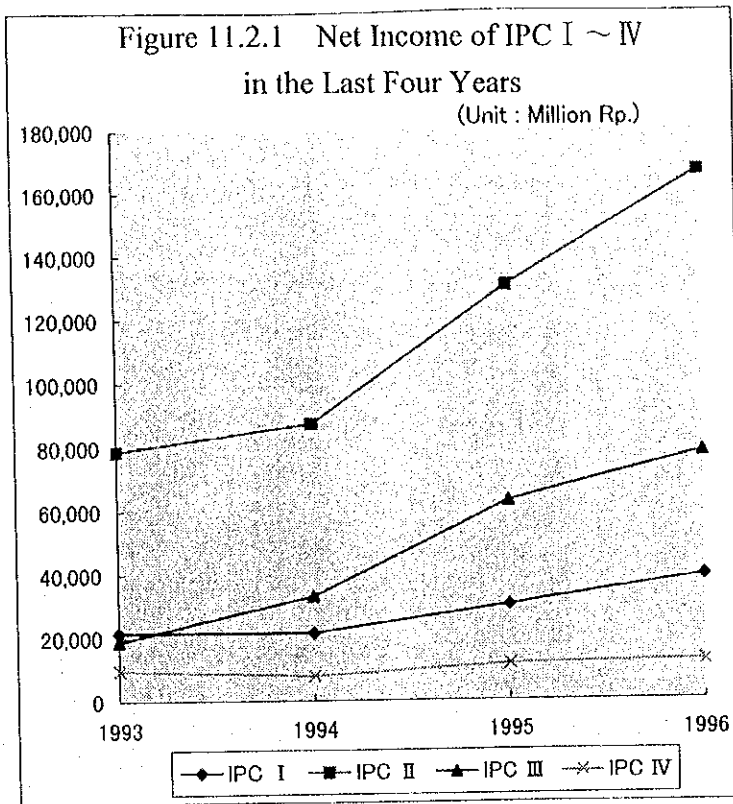
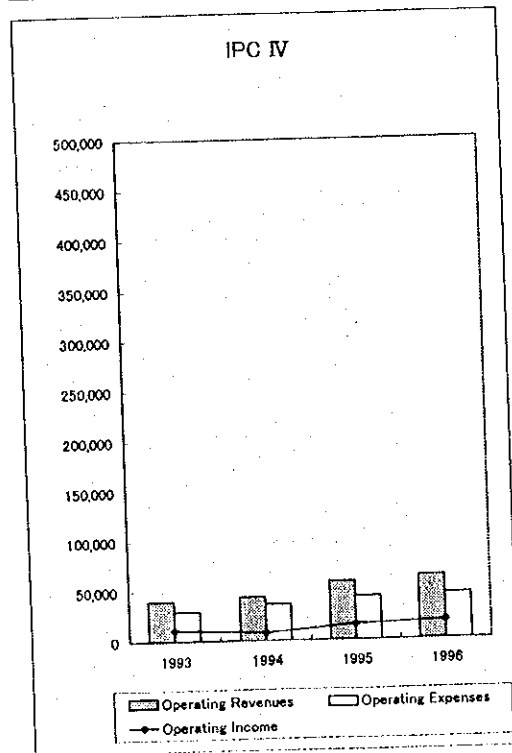
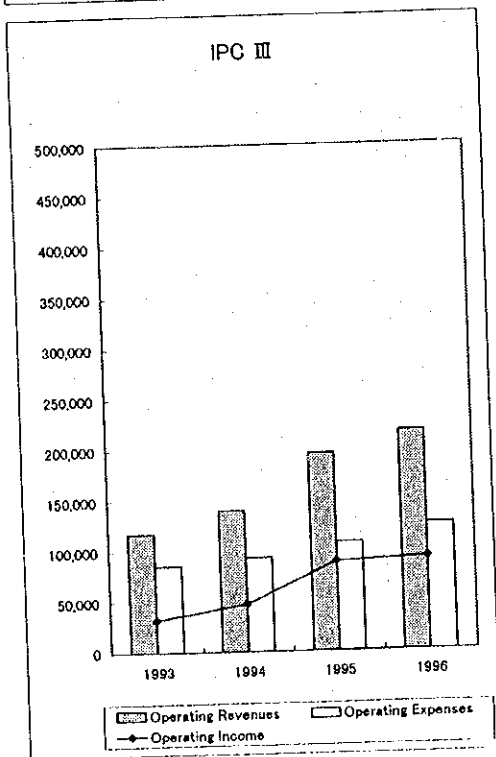
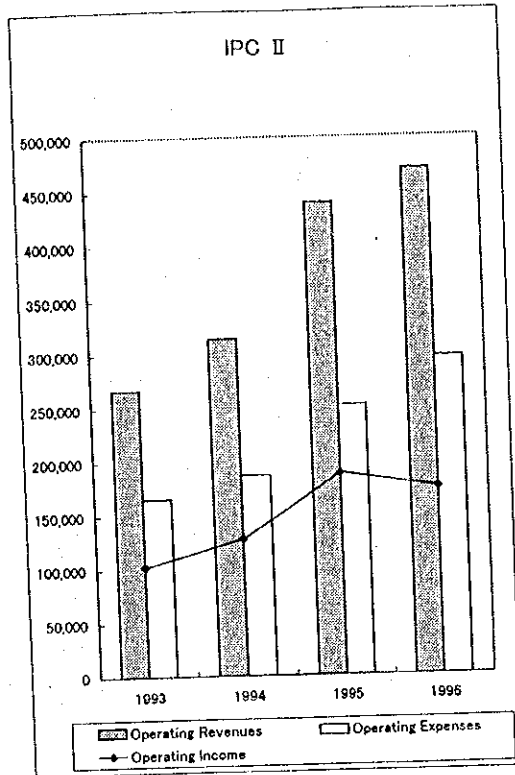
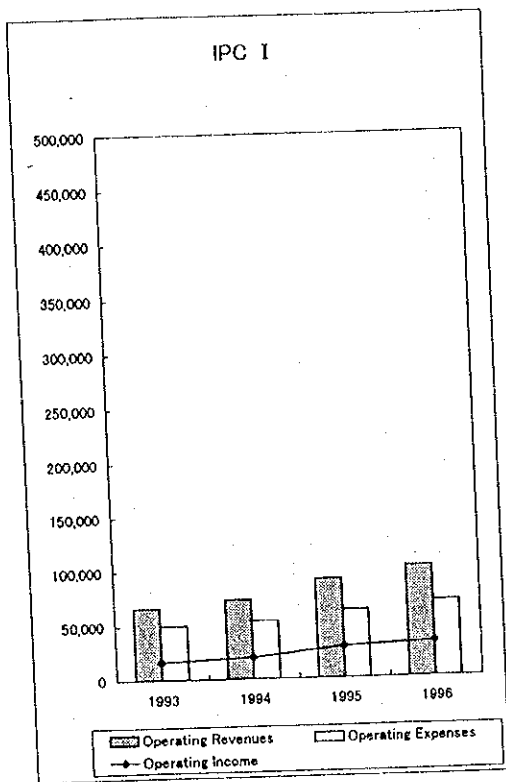


Figure 11.2.3 Operating Revenues and Expenses of IPC I ~ IV in the last four years  
 (Unit : million Rp.)



### 11.2.1 Financial Situation of IPC I

The financial data of IPC I such as profit and loss statement, financial situation of each port, cash flow statement and others are referred to in Table C.11.3.1~Table C.11.3.9 in Appendix C.11.

Profit before tax of IPC I in 1996 amounts to about Rp.46,491 million. About 74% of the profit comes from the Port of "Belawan", and most of the other profits come from the Port of "Dumai" and "Lhok Seumawa". That is to say, total profit of the three ports covers the other deficit-stricken ports.

Although total scale of the assets in 1996 amounts to about Rp.1,120 billion, IPC I ranks third after IPC II and III. IPC I has been repaying principal and interest of long-term notes for development of "Belawan" and "Dumai". The total of principal and interest will reach about Rp.79 billion in 1998.

### 11.2.2 Financial Situation of IPC II

The financial data of IPC II such as profit and loss statement, financial situation of each ports, cash flow statement and others are referred to in Table C.11.3.10~Table C.11.3.18 in Appendix C.11.

IPC II has been enjoying a surplus since 1987, and the profit before tax in 1996 has reached about Rp.210 billion. About 66% of the profit comes from the operation of container terminal in Port of "Tg Priok", and another 27% of the profit comes from the other terminal of Tg. Priok.

The total investment expenditure amounted to Rp.173.43 billion in 1994 and Rp.231.89 billion in 1995.

Investment expenditure by IPC II has been dedicated like this ;

- 1) To maintain its ports facilities and equipment to be always ready to provide services
- 2) To facilitate its own development so as to improve the function of port public services.

Total scale of the assets in 1996 amounts to about Rp.3,317 billion ranking top in all IPC.

IPC II has been repaying principal and interest of long-term notes for development of Port of Tg. Priok and other major ports. Total of principal and interest will reach about Rp.80 billion in 1998.

From 1994, IPC II started to issue obligations and MTN used for development project for "Tg. Priok" and "Bojonegara". IPC II also plans to sell its stocks in the market in 1998, and waits for the permission from the Ministry of Finance. However, the details of the situation are not clear at present.

### 11.2.3 Financial Situation of IPC III

The financial data of IPC III such as profit and loss statement, financial situation of each ports, cash flow statement and others are referred to in Table C.11.3.19~Table C.11.3.27 in Appendix C.11.

The financial situation has getting better and better since 1987, and the profit before tax in 1996 reached Rp.100 billion. About 82% of the profit (Rp.83 billion) is derived from "Tg Perak", and about 50% of its profit comes from the operation of container terminals.

IPC III has been repaying principal and interest of long-term notes for development of Port of "Tg.Perak" and "Banjarmasin". It borrows these funds from international financial banks such as ADB, NIB and EXIM. The total of principal and interest will reach about Rp.37 billion in 1998.

### 11.2.4 Financial Situation of IPC IV

The financial data of IPC IV such as profit and loss statement, financial situation of each ports, cash flow statement and others are referred to in Table C.11.3.28~Table C.11.3.36 in Appendix C.11.

Profit before tax of IPC IV in 1996 amounts to Rp.15,594 million. About 65% of the profit comes from the Port of "Makasar", and most of the other profits come from the Port of "Balikpapan".

Although total scale of the assets in 1996 amounts to about 498 billion, it ranks last in all Port Corporations. IPC IV has been repaying principal and interest of long-term notes for the development of "Balikpapan" and "Makasar". IPC IV borrows these funds from international financial banks such as ADB, EIJIB and IDB. Total of the principal and interest will reach about Rp.18 billion in 1998.

## 11.3 Port Tariff System

### 11.3.1 General Explanation

#### (1) Purposes of Port Tariff

There are four objectives of establishing and collecting port tariff as follows ;

- 1) To provide a high level of port services for users
- 2) To maintain sound port operation
- 3) To invest funds for development of port facilities and purchasing of port equipment
- 4) To contribute to the government by providing tax, dividends and small business funds for entrepreneurs in Indonesia

#### (2) Legal Base

Present tariffs for commercial ports are stipulated by KM65/1994 (inter-island ships / cargo) and KM66/1994 (ocean going ships/cargo) and tariffs for non-commercial and special ports are prescribed by KM28/1992. Tariffs for non-commercial and special ports are approximately 30% lower than those of commercial ports.

Port tariff in Indonesia comprises seven types as follows ;

No.	Types	Law or regulation
①	Port tariff for services to domestic vessels	KM 65/1994
②	Port tariff for services to ocean going vessels	KM 66/ 1994
③	Port tariff for vessels at non-commercial port	KM 28/ 1992
④	Port tariff for machines and equipment	KM 63/ 1994
⑤	Port tariff for container cargo handling at container terminals in Belawan, Tanjung Priok and Tanjung Perak port	KM 67/ 1994
⑥	Port tariff for container cargo handling at conventional terminals	KM 62/ 1996
⑦	Port tariff at passenger terminals	KM 64/ 1994

Source : DGSC

Therefore, ministerial decrees such as KM 76/1990, KM77/1990, KM78/1990 and KM75/1991 were cancelled.

### (3) Tariff Review Process

At present, the procedures of tariff review are based on the government decree, PP No.70, 1996.

Tariff review process in Indonesia is as follows ;

- 1) Tariff is originally determined by MOC, but in practice all reviews have been initiated by IPC.
- 2) When IPC are required to review by MOC, they analyze the cost coming from port services and the revenues deriving from present tariffs against the proposed tariffs.
- 3) In this case, IPC must take external costs such as inflation rates, currency exchange rates and the port tariffs of any other countries nearby like Singapore.
- 4) After the review, IPC submits proposed tariffs to MOC, and MOC hands in the proposed tariffs to MOF.
- 5) After the check by MOF, the MOC decides the new tariff.

In the past, IPC can determine only port tariff rates regarding utility service and land lease.

However, since the passing of “Shipping Law No.21/1992” and “Government Regulation No.70/1996”, IPCs have given the power to determine their own port tariff as follows ;

- 1) The minister of MOC determines types, classification and structure of port tariff.
- 2) IPC can determine the actual tariff rate in ports managed by IPC within the standard that the minister determined after the adjustment with interests of users.

#### 11.3.2 Existing Tariffs

##### (1) Structure of Port Tariff

The structure of the port tariff for port services ocean going and inter-islands vessels a is shown as follows ;

No.	Port Tariff	Unit
①	Anchorage	Per GRT/10days
②	Berth dues	Per GRT /24hours
③	Wharfage	Per Ton, M3, and Box / 24 hours against cargoes
④	Pilot fees	Per GRT / type of vessel
⑤	Towage	Per GRT / hour
⑥	Stacking	Per ton (or m3) and day or per box and day
⑦	Container handling fees at container terminal	Per box
⑧	Other container handling fees	Per box
⑨	Container handling fees at conventional terminal	Per box
⑩	Mechanical equipment and others · Lease of mechanical equipment · Utility service (water, electricity, extension telephone)	-
⑪	Passenger terminal fees	-

Source : DGSC

## (2) Kinds of Port Tariff

All data regarding kinds of port tariff are based on the information from DGSC.

### 1) Anchorage

Anchorage is charged on ships which enter into the port area. While anchorage fees in public ports managed by government are paid to government, those in public ports managed by IPC are paid to IPC. They are separately established between the main ports (Tg.Priok, Tg.Perak and Belawan) and other ports as follows ;

Description	Unit	Main Ports	Other Ports
International (liner)	GRT/10days	US\$0.044	US\$0.042
International (tramper)	GRT/10days	US\$0.066	US\$0.063
Domestic	GRT/10days	Rp.44	Rp.40
Sailing vessel	GRT/10days	Rp.32	Rp.30
Vessels with regular activity in port	GRT/month	Rp.210	-
Non-commercial	GRT/10days	Rp.22	-

### 2) Berth Dues

Berth dues are charged on vessels which use the berth facility in the port. The rate changes according to the material of the quay such as concrete, buoys and border. Furthermore, the rates are determined according to the base period. The rates change according to standard of the following Table ;

Description		Unit	Main Ports	Other Ports
Concrete Berth	International Liners	Per GRT	US\$0.058	US\$0.045
	International Trumper	Per GRT	US\$0.087	US\$0.0675
	Domestic	Per GRT	Rp.40	Rp.32
Buoys	International	Per GRT	US\$0.028	-
	Domestic	Per GRT	Rp.21	-
Border	International	Per GRT	US\$0.008	-
	Domestic	Per GRT	Rp.14	-

Size of vessels	Base Day
Under 1,000	3
1,000-2,499	4
2,500-4,999	6
5,000-9,999	8
10,000-14,999	10
15,000 and above	14

### 3) Wharfage

Wharfage is charged on the cargoes which are loaded or unloaded from ships as the following Table. In addition, there are special wharfage rates for salt, fertilizer, bulogs (rice, sugar) and soybeans, and animal.

(Unit : Rp)

Description		Per Ton		Per M3		Per Box	
		Main	Others	Main	Others	Main	Others
General cargo	Export	200	165	150	120		
	Import	600	550	450	400		
	Inter Island	600	550	425	400		
Container	20' empty					10,500	9,500
	20' Load					24,000	21,000
	Over20' empty					15,500	14,500
	Over20' Load					36,000	31,500



#### 4) Pilot Fees

Pilot fees are independently established by each port. All vessels except for some ships are required to use pilot service when they enter and leave the port. The rate of pilot fees in Tg. Priok is shown in the following Table ;

(Unit : Per ship)

Description (Vessel size)	Enter / Out		Outside of Port Area	
	International US\$	Domestic Rp	International US\$	Domestic Rp
150-500 GRT	20.90	27,000	20.90	27,000
501-1000 GRT	22.40	29,000	22.40	29,000
More than 1000 GRT for any 500 GRT added with	2.80	3,300	5.60	6,600

#### 5) Towage

All ships greater than 70m in length are required to use the service provided by tug boats when they berth and de berth. The rates of towage are uniformly applied to all ports regardless of port classes. The rates of towage are as follows ;

Description (Vessel size / GRT)	International US\$	Domestic Rp
0-3,500	81.50	104,000
3,501-8,000	211.50	269,000
8,001-14,000	337.00	429,000
14,001-18,000	451.90	575,000
18,001-75,000	715.00	909,000
7,5001 up	1,042.00	1,296,000

#### 6) Stacking

Stacking fees are charged on the cargoes stacked in the various kinds of facilities in the port. The tariffs of general cargoes are as follows ;

(Unit : Rp)

(a) General Cargo

Description		* Period 1 (Per ton/ day)	* Period 2 (Per m3/per day)
Warehouse	Main	250	175
	Others	150	115
Open storage	Main	125	90
	Others	75	60

\* Note 1 : Period 1 is the first 15 days, and the first 5 days is counted as one day.

\* Note 2 : Period 2 is after 16 days

(b) Container Cargo

Description		* Period 1 (per box /day)		* Period 2 (per box /day)	
		FCL/LCL	Empty	Full	Empty
20 ‘	Main	5,000	2,500	After 11 days, it is charged at 200% per day.	
	Others	3,000	1,500		
Above 20	Main	10,000	5,000		
	Others	6,000	3,000		
OH/OW/OL container	Main	9,000	18,000		
	Others	-	-		

\* Note 1 : Period 1 is the first 10 days, and the first 5 days is counted as one day.

\* Note 2 : Period 2 is after 11 days.

7) Container Handling Fees at Container Terminal in Main Ports

Container handling fees are charged on containers that are loaded and unloaded between ships and container yards as shown in the Table below ;

(Unit : US \$)

Description	20 ‘ FCL container (Include Wharfage)	40 ‘ FCL container (Include Wharfage)
Using gantry crane	62	93
Using ship crane	56	84

Description	LCL container (exclude wharfage)		Trans-shipment (include wharfage)	
	20 ‘	40 ‘	20 ‘	40 ‘
Using gantry crane	140	156	40	60
Using ship crane	98	146	34	51

Besides, container handling fees for oversized container (OH) and uncontainerized cargo (UC) are higher than the above fees.

#### 8) Other Container Handling Fees

In addition to stacking fees, there are other charges for container handling at container yard in main ports are as shown in the following Table ;

Service	20' container	40' container
Shifting containers by using gantry crane (Without landing operation)	US\$23	US\$34.50
Opening and converting hatch	US\$36	
Extra movement (Without supporting devices)	Rp.37,500	Rp.56,000
Relocation	Rp.40,000	Rp.60,000
Lift on / off (Loaded container)	Rp.21,000	Rp.31,500

#### 9) Container Handling Fees at Conventional Terminal

Container handling fees at conventional terminal are charged on containers that are loaded and unloaded between ships and container yards as in shown in the following Table ;

(Unit : Rp.)

Description	Tg. Priok, Tg. Perak, Belawan		Panjang, Semarang, Makassar, Batam		Other Ports	
	20'	40'	20'	40'	20'	40'
Container(FCL)						
Excluded Berth Dues	71,500	107,250	63,500	95,200	58,000	87,000
Included Berth Dues	91,500	137,250	80,000	120,000	74,500	111,000
Container(LCL)						
Excluded Berth Dues	144,000	216,000	129,000	193,500	120,000	180,000

#### 10) Mechanical Equipment and Others

Furthermore, the users must pay for leasing mechanical equipment and utility services such as water, electricity and extension telephone.

### 11) Passenger Terminal Fees

Based on "KM 64/1994", passenger terminal fees are imposed on the passengers and accompanied persons according to class A~C, and vehicles according to terms of contract as the following Table ;

(Unit : Rp)

Description	Class A*	Class B*	Class C*
Passenger	2,000	1,500	1,000
Accompanied persons	1,000	700	400

\* Note 1 : Class A : Permanent building with air conditioner and chairs

\* Note 2 : Class B : Permanent building without air conditioner

\* Note 3 : Class C : Make-shift structure

Description	Daily	Monthly	Yearly
Vehicles in open space	350	7,000	63,000
Vehicles in parking lots	350	9,000	81,000

## 11.4 Financial Review of REPELITA

### 11.4.1 Financial Resources

In REPELITA I ~ II, the government had only one financial source, that is, national fund. With the establishment of STATE ENTERPRIZE (PERUMPEL) in 1983 which operated profitable commercial ports, the government started to use the fund earned by PERUMPEL from REPELITA III.

Furthermore, the government is determined to introduce private funds in port development as it did with electric power, road and telecommunications from REPELITA VI.

### 11.4.2 Situation of REPELITA VI (1994-98)

#### (1) General

The total investment or development budget required to construct and procure port facilities and equipment during the sixth FYDP is roughing US\$1.43 billion as shown in the following Table.

Items	Budget
Port facilities	US\$1.08 billion
Port equipment	US\$0.35 billion

Source : DGSC

Realizing that its development budget would be limited, the government devised a general scheme for financing the development during the sixth FYDP as follows ;

No.	Financing	Percentage
①	National budget	15%
②	Foreign loan / grant	20%
③	Private sector and state owned company participation	65%

Source : DGSC

The composition is a general and flexible indicative depending on the availability of financing resources. From the above composition of financing resource, it is shown that the biggest share of investment is expected to come from private participation which includes private sector (domestic and foreign) and IPCs. In the future, this trend will continue and private participation will become more and more important.

## (2) The Gap between Planned Expenditures and Actual Expenditures

The gap between planned expenditures and actual expenditures in terms of finance resource is as below Table. At first in "REPELITA VI", while the government budget including foreign loan accounting for about 65%, the private budget including IPC funds accounted for only 35%. But, in practice, while the former accounting for only 35%, the latter accounted for 65%. This is because that the government had no choice but to depend upon the money coming from the private sector including IPC owing to lack of government budget.

Table 11.4.1 Gap between Planned Expenditures and Actual Expenditures  
in terms of Financial Sources in REPELITA VI

(Unit : Rp.billion)

Description	Planned Expenditures				* Actual Expenditures			
	Total Costs	National Funds	IPC Funds	Private Funds	Total Costs	National Funds	IPC Funds	Private Funds
REPLITA VI	3,149	2,046 (65%)	1,103 (35%)		3,126	1,079 (35%)	2,047 (65%)	

\* Note : Actual expenditures is the figure at the end of 1997.

Source : DGSC

### 11.4.3 REPLITA VII

At present, "REPELITA VII" (1999-2003) has not been completed yet. Therefore, the details are now not clear. However, according to the document entitled "EVALUASI PELAKSANAAN REPELITA VI DAN INDIKASI REPELITA VII SUB SEKTOR TRANSPORTASI LAUT" issued by DGSC, the basic concepts with respect to finance of port development are summarized in the next three categories ;

#### (1) Policy of Sea Port Development

- 1) Port facilities managed by IPC shall be developed on their own.
- 2) Development of port facilities shall be limited for main facilities in IPC.
- 3) Participation of private sector in port development and operation shall be promoted through good competition and deregulation.

#### (2) Budget Policy for Sea Port Development

- 1) Optimization of budget for development of port facilities shall be given priority.
- 2) Investment of government budget shall be limited for main facilities of ports managed by IPC.

- 3) Government budget shall be allocated to improvement of wooden shipping quays and development of pioneer shipping at isolated area.
- 4) Business area shall be expanded through simplification of license-issuing procedure and private sector participation such as KSO and BOT.
- 5) Private sector participation using money from the public shall be promoted through share sales in the market.

(3) Establishment of Sea Transportation Industries

- 1) All kinds of laws regarding cooperation between government and private sector shall be established.
- 2) Port tariff must be determined in accordance with the reward.
- 3) Government subsidy and involvement in development of port facilities managed by IPC shall be decreased.





## Chapter 12 PRIVATE SECTOR PARTICIPATION

### 12.1 General Outline

#### 12.1.1 History of Private Sector Participation in Indonesian Ports

Looking at the experience of port performance managed by government until the mid of 1980's and respectively transferred to the management of state-owned Indonesia port corporation (IPC) in the beginning of 1992, the Indonesian's port attempt to improve performances to a higher level of services required by the customers. Therefore, through such opportunities, private sectors are encouraged to involve in the area of port business.

Especially, the deregulation through "Shipping Law No.21 of 1992" and "Government Regulation No.20 of 1994" made it possible for foreign investors to participate in the development and operation of the ports.

As we mentioned in CHAPTER 11 (Port Finance), contrary to the budget plan in REPELITA VI, 65% of the total investment cost (estimated at about US\$1,431 million) for port development is expected from the private sector.

Reflecting the current situation, IPC have more and more PSP projects by degrees. In 1994, IPC II made a contract with a private company to promote jointly the development and operation of container terminal III of Tg. Priok port. Furthermore, in 1997, IPC III made a contract with a private company to develop and operate container terminal of Tg. Perak port. Many other PSP projects in port development and operation are under consideration.

But, today's currency crisis and retreat of foreign capital from the country are forcing the government to reevaluate or delay most of these PSP projects.

Nevertheless, private sector participation (hereinafter referred to as "PSP") in the port development and operation is thought to be key to relieving the government's financial burden and promoting infrastructural development in the port sector.

#### 12.1.2 Purpose of Private Sector Participation

Private sector can participate through cooperation with Indonesia port corporation ,and development and operation of special ports ( only for private used ).

There are four objectives of private sector participation as follows ;

- 1) To increase ports capacity
- 2) To relieve government from high investment burden
- 3) To introduce higher standards of efficiency through fair competition

4) To facilitate fast-track implementation

In this progress report, we shall avoid mentioning details of purposes of PSP.

## 12.2 Basic Laws and Regulations Regarding PSP and Foreign Investment

### 12.2.1 General Information

There are no direct laws or regulations whose main purpose is to introduce private funds in port development. However, the basic laws and regulations for PSP in development project including port development and foreign investment are ;

Name of Law or Regulation	Items regulated
(1) Shipping Law No.21 of 1992	Cooperation between IPC and private sector for the business of all port activities
(2) Government Regulation No.56,57,58 and 59 of 1991	Establishment of IPC I , II , III and IV , delegation of power for the management of some public ports from the government to IPC.
(3) Law No.1 of 1967 on Foreign Investment	General regulation for foreign investment
(4) Government Regulation No. 20 of 1994 on Foreign Investments	New and supplemental regulation for foreign investment
(5) Government Regulation No.70 of 1996	Regulation towards Indonesian Legal Entity to manage public port
(6) Presidential Decree No.7 of 1998	New and general regulation for infrastructure development of many sectors (power, transportation, etc.)

Source : DGSC & BKPM

We shall explain main points of those laws and regulations as follows ;

#### (1) Shipping Law No.21 of 1992

Article 26.2 ensures that the private sector is allowed to cooperate with IPC for the business of all port activities with exception of port basin and property of land and waters.

#### (2) Government Regulation No.56,57,58 and 59 of 1991

This regulation stipulates the establishment of IPC I , II , III and IV , and management of some public ports is delegated by the government to IPC. Public port corporation whose 100% of the assets owned by the government changed into public corporation whose majority of the share owned by the government.

## 12.2.2 Law No.1 of 1967 on Foreign Investment

Foreign investment is governed by this law. Until today, this law is still considered compatible with Indonesian current needs. This law establishes the general rules for foreign investment such as legal form, domicile and area of an enterprise, fields of activity for foreign investment, manpower, concessions on taxes and other levies, duration of foreign investment, right of transfer and repatriation and others.

The matrix of the law is summarized as follows ;

### (1) Field of Activities Closed to Foreign Investment (Article 4)

Field of activities which are closed to foreign investment exercising full control are those of importance to the country and in which the lives of a great deal of people are involved, such as harbors, production, transmission and distribution of electric power for the public, shipping, telecommunications, aviation, drinking water, public railways and others.

### (2) Right of the Owner of Foreign Capital (Article 9)

The owner of foreign capital has full authority to appoint the management of the enterprise in which his capital is invested.

### (3) Concessions on Taxes and Other Levies (Article 15)

Foreign capital enterprises are granted the following concessions on taxes and other levies ;

- ① Exemption from company tax, dividend tax, import duties and capital stamp duties
- ② Relief in the levy of company tax, by off-setting losses and by allowing accelerated depreciation of fixed assets

### (4) Duration of Permit of Foreign Capital (Article 18)

Every permit for investment of foreign capital shall specify the duration of its validity, which shall not exceed 30 years.

### (5) Right of Transfer (Article 19)

Foreign capital enterprise shall be granted the right of transfer in the original currency of the invested capital at the prevailing exchange rate for some profits and costs, depreciation of fixed assets and compensation in case of nationalization.

### (6) Nationalization and Compensation (Article 21 and 22)

- ① The government shall not undertake a total nationalization / revocation of ownership rights of foreign capital enterprises nor take steps to restrict the rights of

control and / or management of the enterprises concerned, except when it shall be declared by law that the interest of the State requires such a step.

- ② In case of the measures referred to in Article 21, the government has the obligation to provide compensation.

### 12.2.3 Government Regulation No. 20 of 1994 on Foreign Investments

#### (1) Purpose of the Regulation

The regulation stipulates the ownership in the company which is established for foreign investment.

In the past, the structure of private investors in the port sector is as below ;

- 1) In principle, any Indonesian Legal Entity (Badan Hukum Indonesia =BHI) whose lines of business are relevant to port services can invest in port facilities in cooperation with “a Public Port Corporation”.
- 2) Ports operated by “a Public Port Corporation” may establish contractual agreements for services with any BHI under the terms of the prevailing regulations on port services. In the past, the BHI has generally been a domestic investment company.
- 3) A minimum amount of the capital was required to be invested in a foreign-owned company in Indonesia.

However, the new foreign investment regulation improves this situation to a considerable extent and promotes deregulation for foreign investment as below ;

- 1) Foreign investors and domestic investors (BHIs) establish an Indonesian Legal Entity (BHI) in the form of a foreign investment company (Joint Venture Companies = JVCs).
- 2) The BHI establishes an agreement with IPC for the development and operation of certain port activities. It is compulsory to be in sharing-owning partnership with Indonesia investors.
- 3) It also allows agreements directly between IPC and foreign investors that have established BHI in association with Indonesian partners.
- 4) Foreign investors in foreign direct investment (FDI) may now also be “individuals” rather than an enterprise as previously required.
- 5) The IPC generally must maintain title to the land and port waters involved in the investment.
- 6) The new foreign investment regulation also allows foreign parties to own 100 % of the issued capital of a company in Indonesia as long as they don't operate in an area classified as particular important to the people of Indonesia.
- 7) Moreover, this regulation ensures the involvement of foreign investors on business activities which cover infrastructure development public services as public port,

telecommunications, water supply and others. For such activities, foreign company could share up to "95% of total investment".

- 8) There is no requirement on the minimum amount of investment. The amount is up to the parties concerned to decide.
- 9) JVCs which have been commercially operational are allowed to set up new JVCs under the same ownership alternatives. They are also allowed to buy the shares of domestic companies through direct placement or through stock exchange as long as the field of business concerned is open for foreign JVCs, i.e. not listed in the "Negative Investment List" (DNI). In this case, the purchased company may retain its original corporate status.
- 10) In the framework of financial rescue and export drive, foreign enterprises may buy the shares of existing JVCs or domestic companies through direct placement or through the domestic stock exchange as long as the field of business concerned is not listed in the DNI. In this case, the original corporate status of the purchased company may be retained.

## (2) Important Points of the Law

The important articles of the regulation are summarized as follows ;

### ① Approval of Foreign Investment (Article 1)

An approval on foreign investment is granted to a Foreign Investment (FDI) company which is established in the form of " Limited Liability Company " subject to the Indonesian Law and domiciled in Indonesia.

### ② Two Forms of FDI (Article 2 Point 1)

(a) The FDI may be established in the form of :

#### a) A Joint Venture Company

Joint venture between foreign capital and domestic capital owned by Indonesian capital and domestic capital owned by Indonesian citizens, and/or Indonesian legal entities ; or

#### b) A Straight Investment Company

Straight investment, in the sense of that the entire capital is owned by foreign citizens and/or foreign legal entities.

### ③ Determination by Investors (Article 2 Point 2)

The amount of investment shall be determined by the investor in accordance with the economic feasibility of the business activities.

### ④ Duration of Business License (Article 3)

- (a) Business license is granted to the FDI company for a period of 30 years since the commencement of commercial operation.
- (b) The business license may be renewed by the Minister for Investment / Chairman of the Investment Coordinating Board if the company carries out its business for the benefit of the national economy and development.

⑤ Scope of Works Carried out by FDI Company (Article 5)

- (a) "A joint venture company" may carry out business activities categorized as important to the state and serving the public such as ports, generation and transmission as well as distribution of electricity for public use, telecommunications, shipping lines airlines and others.
- (b) "A straight investment company" is not permitted to carry out the business activities in the business sectors as referred to in paragraph ① above.

⑥ Partners' Shares in the Joint Venture Company (Article 6)

The Indonesian partners' shares in the joint venture company shall be at least 5% of the total paid-up capital of the company upon its establishment.

12.2.4 Government Regulation No.70 of 1996

The main points of Government Regulation No.70 of 1996 regarding private sector are summarized as follows ;

(1) Definition of Indonesian Legal Entity (Article 18)

"Indonesia Legal Entity" is a body owned by the state and / or private sector and / or cooperative economic enterprise.

(2) Cooperation between Port Corporation and Indonesian Legal Entities (Article 37)

- ① In order to manage public port, the port corporation could include other Indonesia Legal Entities through cooperation.
- ② In the cooperation referred to point ①, the Port Corporation must take into account public interest and cooperation.
- ③ The cooperation referred to subsection ② is done without lessening the responsibilities of Port Corporation in the public service.

(3) Scope of Works Done by Cooperation (Article 38)

- ① The cooperation in managing public port referred to article 37 could be done for :
  - (a) development of docking basin and waters for ships ' traffic and docking

- (b) services related to ships' towing services
  - (c) provision of wharf and passenger terminal, and services for mooring, loading and unloading of goods.
  - (d) provision of warehouse, storage and loading and unloading equipment, and providing services by using those facilities
  - (e) provision of container terminal, liquid and bulk terminal and Ro-Ro terminal, and providing services by using those facilities
  - (f) Others
- ② Cooperation referred to subsection ① could be done for one class of service or more according to the prevailing legislation.

#### 12.2.5 Presidential Decree No.7 of 1996

In January of 1998, the government had developed the new cross-sectoral legal and regulatory framework for structuring and negotiating agreements for private sector participation. The Decree is composed of 15 articles and more detailed appendix (8 chapters). It mainly regulates the relationship between PSP-related government organizations and the private sector, the procedures of project implementation, bidding system and so on. The Decree is highly evaluated for upgrading the quality of the whole system and enhancing the transparency of the selecting procedure.

### 12.3 Working Fields and Possible Forms of PSP for Port Development and Operation

#### 12.3.1 Roles of Government, IPC and the Private Sector regarding the Working Fields

Before talking about possible forms of PSP, roles of government, IPC and the private sector port shall be explained.

At first, we shall talk about the history of PSP in stevedoring operation briefly.

- 1) Stevedoring operation in Indonesia has been done by private sector for many years. Private companies have provided both ship and shore break-bulk cargo handling services in Indonesian public ports.
- 2) Moreover, in 1993, port of Tg. Priok began experimenting with agreements in which private stevedoring companies are responsible for all operations within specified areas of the break-bulk sections of the port.

Roles of government, IPC and the private sector in Tg. Priok Port and Tg. Perak Port are shown in the following Table 12.3.1.

Table 12.3.1 Roles of Government, IPC and Private Sector

Function		Port of Tg. Priok	Port of Tg. Emas
Control administration	Navigation safety	Central Government	Central Government
	Immigration	Central Government	Central Government
	Custom	Central Government	Central Government
	Quarantine	Central Government	Central Government
	Security	Central Government	Central Government
Establishment of port master plan		Central Government / IPC	Central Government / IPC
Port management / operation	Management body	IPC	IPC
	Utility supply	IPC	IPC
	Pilot service	IPC	IPC
	Tug service	IPC / Private sector	IPC
Wharf operation	Cargo handling at container terminal	IPC	Private sector (e.g. Top leader)
	Cargo handling at conventional terminal	IPC / Private sector	IPC / Private sector
	Stevedoring	IPC / Private sector	IPC / Private sector
	Warehouse / shed	IPC / Private sector	IPC / Private sector
	CFS	IPC	IPC
	Trucking	* IPC (from wharf to warehouse) * Private sector (from warehouse to factory)	* IPC (from wharf to warehouse) * Private sector (from warehouse to factory)

Source : IPC II & IPC III

### 12.3.2 Possible Forms of PSP for Port Development and Operation

The scope of works operated by private sector in the public ports ranges quite widely. All port facilities or business activities are potentially open to private sectors with the following exceptions ;

- 1) Port basin for ship safety
- 2) Possession of land and waters in port area



Based on the above different functions among government, IPC and private sector, we shall indicate the possible forms of PSP for port development and operation. In Indonesia, the possible forms of PSP can be shown in the following Table 12.3.2.

Table 12.3.2 Possible Forms of PSP for Port Development and Operation

No	Business segment	Description	Possible forms
1	Container terminal	Development and operation of ① wharf ② yard ③ CFS ④ equipment	JO / BOT
2	Conventional terminal	Development and operation of ① wharf ② storage ③ equipment	JO / BOT
3	Bulk terminal	Development and operation of ① wharf ② storage ③ equipment	JO / BOT
4	Passenger terminal	Development and operation of ① wharf ② passenger terminal ③ supporting facilities	JO / BOT
5	Ship's service	Pilotage and towage operation	-
6	Water supply	Development and operation of water supply	JO / BOT
7	Electricity supply	Development and operation of electric supply	JO / BOT
8	Handling equipment	Procurement and maintenance of port equipment	JO
9	Waste collection	Development and operation of waste collection, reception	JO
10	Reclamation	Development and operation of reclamation	land lease or profit sharing
11	Port services	Procurement and operation of information system	JO
12	Port training	Port training program	JO


Source : DGSC

### 12.3.3 Alternatives Forms of PSP

There are many types of private sector participation both in port improvement and in operation. PSP types of from (1) to (6) are very common in Indonesia. IPC II and III now also consider public or stock floatation.

- (1) Management Contract
- (2) Lease
- (3) Concession
- (4) Joint Operation
- (5) BOT (Built-Operate-Transfer)
- (6) Joint Venture
- (7) Public or Stock Floatation

Table 12.3.3 Classification of PSP Types

Degree of privatization	PSP type	Role of each sector		
		Ownership	Management / Operation	Financial Risk
Weak  Strong	Management Contract	Public	Public / Private	Public
	Lease	Public / Private	Private / Public	Private / Public
	Concession Joint Operation	Public	Private	Private
	BOT	Private → Public	Private	Private
	Joint Venture	Public / Private	Private	Private
	Public or stock floatation	Private	Private	Private

#### (1) Management Contract

IPC entrusts the management of business function or asset to a private sector for a certain period. This type of PSP is aimed to improve performance, efficiency and productivity by introducing ability and know-how of the private sector.

#### (2) Lease

Private sector has capital such as cargo handling equipment which is leased to IPC for its use. IPC must pay rent to the private sector. On the contrary, the private sector could lease some immovable property from the IPC. Therefore, IPC or the private sector assumes all responsibility for expenses related to the maintenance and the provision of services.

### (3) Concession

All responsibility for construction, operation and maintenance is transferred to private sector for long period of time (15-30 years).

While ownership of the facilities is retained by IPC, private sector can develop and operate those port facilities, and obtain revenues from the operation. On the other hand, private sector must pay concession fees to IPC. Therefore, concession provides strong incentives to private sector to achieve greater efficiency.

### (4) Joint Operation (Kerjasama Operasi = KSO)

IPC and private investor respectively invest capital and jointly manage one segment of port business for a certain time. The profit coming from joint operation is shared between IPC and the private company based on the same proportion of capital investment.

### (5) BOT (Build operate transfer)

BOT is a form of business cooperation in which IPC grants a concession for a certain business segment to a private company, and the private company invests its capital and operates in the segment for a certain period of time.

The private company provides remuneration to IPC as payments, royalties, profit sharing, leases or other equivalent forms. After expiry of the contract, all assets are transferred to IPC.

### (6) Joint Venture

IPC and private company jointly invest capital in an Indonesian legal entity formed independently in order to carry out certain business for an indefinite period of time.

There are two types of joint venture company.

- 1) A new independent joint venture company
- 2) A new subsidiary company, formed under a state-owned-enterprise

### (7) Public or Stock Floatation

They are most advanced type of full privatization. At present, IPC II and III are interested in public or stock flotation.

“Public floatation” means a public offer of the sales of shares on the stock exchange. In this case, all responsibility for the provision of services is transferred to the private sector.

“Stock floatation” means the selling of all shares to the private sector. But, in many cases, the Government can retain a qualified majority of shares.

## 12.4 Procedures for Selection of Private Sector Partner

### 12.4.1 Criteria in Selecting Private Company

In selecting private company to cooperate with IPC, the following criteria must be considered ;

- 1) Foreign company together with local investor should form “an Indonesia Legal Entity”, in the status of foreign investment scheme.
- 2) These Indonesian Legal Entity should have a capability to share with a minimum equity of 30% as investment finances.
- 3) Private company is preferably to have experience in the field of related port business.

### 12.4.2 General Outline of the Procedure

In Indonesia, there are no general laws nor regulations to directly regulate the procedure for selecting private companies.

There are two kinds of procedures to be followed by private sector as follows ;

- (1) Case 1 : Initiative comes from IPC
- (2) Case 2 : Initiative comes from private sector (Unsolicited proposal )  
Initiative tends to come from a private sector.

We shall explain the selecting procedures of two cases as follows ;

In addition, the procedure in case of “initiative from IPC” is referred to Figure 12.4.1, and that in case of “initiative from private sector “is also referred to Figure 12.4.2.

#### (1) Case 1 ( Initiative comes from IPC)

- 1) IPC sets up port business activities and provides project prospective.
- 2) Business activities are offered to investors through public mass media (Invitation).
- 3) Investors submit pre-project proposal.
- 4) IPC evaluates the proposal and selects the responsive bids.
- 5) IPC and the investor prepare draft MOU and submit it to MOC for approval.
- 6) MOC evaluates and approves the draft MOU.
- 7) IPC and the investor sign MOU upon submission of bank guarantee.
- 8) The Investor carries out feasibility study and prepares project proposal to be submitted to IPC.
- 9) IPC evaluates project proposal and adjusts negotiation between IPC and the investor.
- 10) IPC and the investor prepare joint proposal and submit it to MOC.

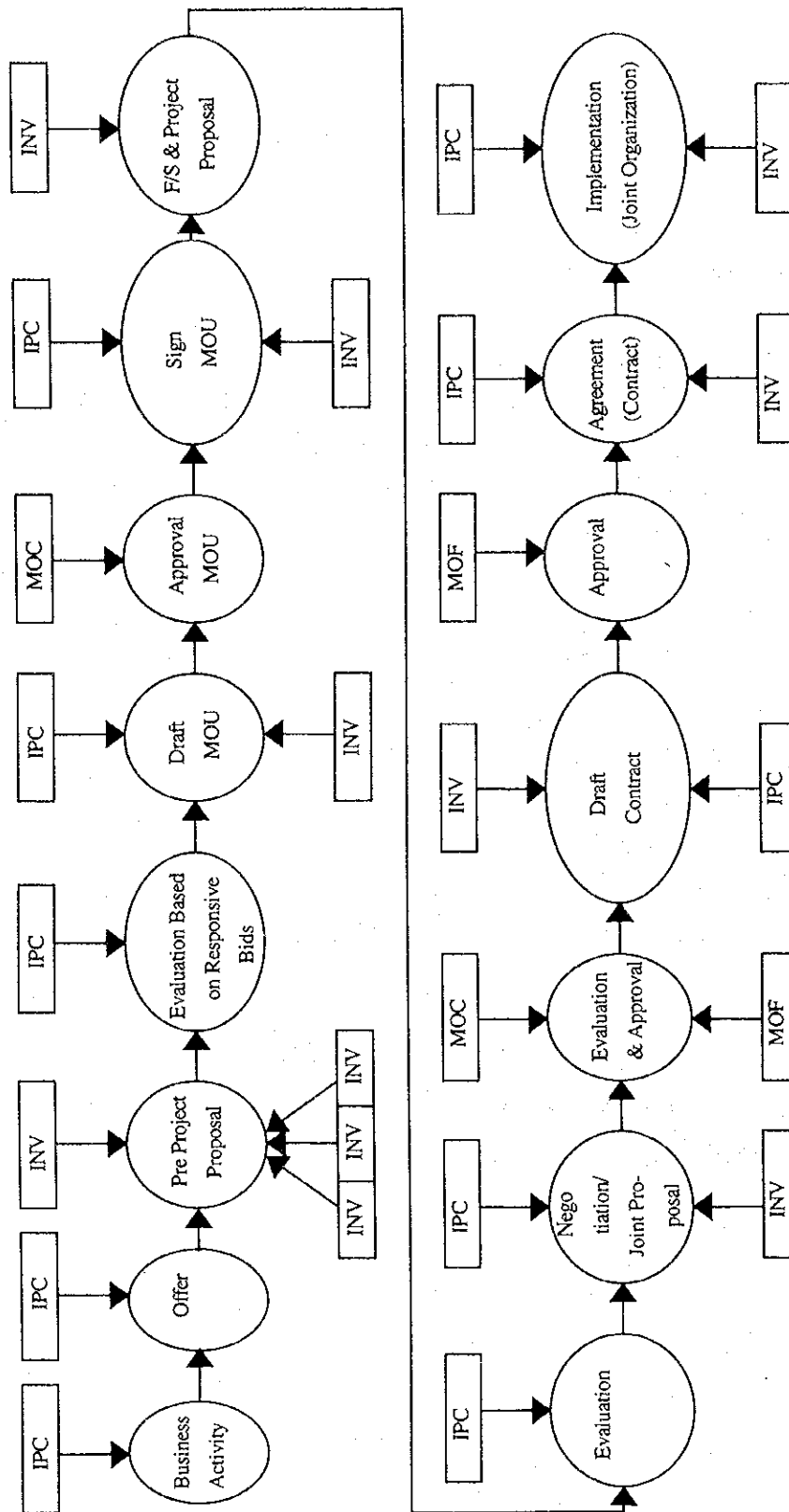
- 11) MOC and MOF jointly evaluate and approve the joint proposal.
- 12) IPC and the investor jointly prepare draft agreement and submit it to MOF.
- 13) MOF approves the draft agreement.
- 14) IPC and the investor sign the agreement (contract).
- 15) IPC and the investor implement the agreement, and set up joint organization for procurement.

(2) Case 2 (Initiative comes from private sector )

- 1) Investor prepares pre-project proposal
- 2) IPC evaluates the proposal based upon responsive offer and select the responsive bids.
- 3) IPC and the investor prepare draft MOU and submit it to MOC for approval.
- 4) MOC evaluates and approves the draft MOU.
- 5) IPC and the investor sign MOU upon submission of bank guarantee.
- 6) The Investor carries out feasibility study and prepares project proposal to be submitted to IPC.
- 7) IPC evaluates project proposal and adjusts negotiation between IPC and the investor.
- 8) IPC and the investor prepare joint proposal and submit it to MOC.
- 9) MOC and MOF jointly evaluate and approve the joint proposal.
- 10) IPC and the investor jointly prepare draft agreement and submit it to MOF.
- 11) MOF approves the draft agreement.
- 12) IPC and the investor sign the agreement (contract).
- 13) IPC and the investor implement the agreement, and set up joint organization for procurement.

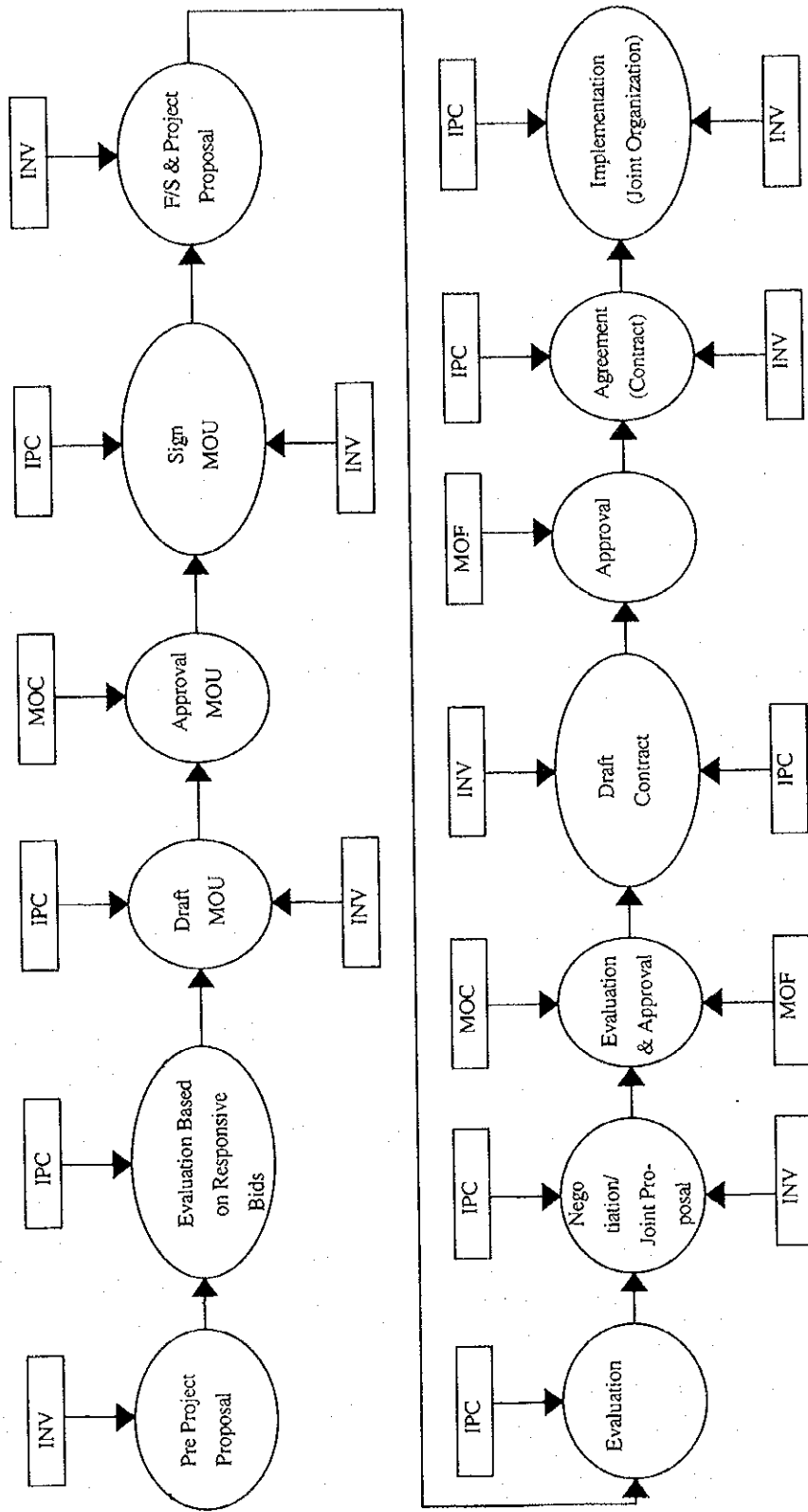
The reason why investor must get the approval from MOF as well as MOC (both ministries are also main share holders) is the fact that review from not only technical but also financial point of view is required.

Figure 12.4.1 Procedure on Selecting Private Sector Involvement (I) Initiative from Indonesia Port Corporation



Note : IPC : Indonesia Port Corporation  
 INV : Investors  
 MOC : Ministry of Communication  
 MOF : Ministry of Finance  
 Source: DGSC

Figure 12.4.2 Procedure on Selecting Private Sector Involvement (2)  
Initiative from Private Sector



Note : IPC : Indonesia Port Corporation  
 INV : Investors  
 MOC: Ministry of Communication  
 MOF: Ministry of Finance  
 Source : DGSC

### 12.4.3 Rights and Obligation of Private Sector

#### (1) Rights (Revenue) of the Private Sector

To compensate the expenditure of the operational and investment cost for providing port business activities, private investors can obtain the revenue from ;

- 1) Berthage
- 2) Whafage
- 3) Storage fees
- 4) Cargo handling fees
- 5) Trucking fees
- 6) Etc.

Percentage of share or amount of the above mentioned revenue will be based on “ win-win concept “ of negotiations between the private investor and IPCs.

#### (2) Obligation of the Private Sector

On the other hand, private investors have obligation to IPCs as follows ;

- 1) Lease of land and water of the port
- 2) Royalty and good will
- 3) Common used infrastructure cost
- 4) Others

### 12.4.4 Distribution of A Booklet for Promotion of PSP

In August 1994, DGSC issued and distributed a booklet for promotion of PSP titled “INVESTMENT OPPORTUNITIES IN INDONESIAN PUBLIC PORTS” in both Indonesian and English in order to invite and attract domestic and foreign investors. The booklet includes the following items ;

- 1) Precedence
- 2) Intentions and evaluation procedures
- 3) Legal basis of private operations in ports
- 4) Scope of private operations
- 5) Structure of private investors in the port sector
- 6) Responsibilities of the public port company
- 7) Alternative forms of business cooperation
- 8) Summary of kinds of investments

Furthermore, the booklet includes guidelines on the selection of contractors, bidding



system, process of contract, and settlement and monitoring.

#### 12.4.5 Roles of the Investment Coordination Board

##### (1) The Indonesian Capital Investment Coordination Board (BKPM)

BKPM oversees all foreign investment issues other than those concerned with the financial and insurance sectors and the stock exchange. A foreign investor primarily deals with BKPM to obtain all necessary licenses, permits and approvals. BKPM is trying to provide a “one-stop” service to investors. The functions of BKPM are as follows ;

- 1) To provide information and guidance to prospective investors and process investment applications
- 2) To issue approvals, permits, and licenses
- 3) To monitor the implementation of investment projects
- 4) To advise the president whose approval is required for foreign direct investment in infrastructure on investment policies and on each foreign investment proposal.

##### (2) The Regional Investment Coordination Board (BKPMD) and Other Regional Bodies

In addition to the BKPM, other regional organizations including BKPMD are another body that foreign investors in infrastructure development must deal with at a regional level. Their roles are summarized as follows ;

###### 1) BKPMD

To assist the investor to implement the project, provide additional permits, approvals and others.

###### 2) The Provincial Land Affairs Office (BPN Dati I )

To approve the project if it includes cultivation on land.

###### 3) The Regency Land Affairs Office (BPN Dati II )

To issue a location permit, building construction permit, Nuisance Act permit, and rights to land. These documents must then be presented to the BKPM. Investors should be prepared to work closely with relevant technical government departments, and regional and local agencies. According to the government officials, the whole licensing procedures should take between four to six weeks.