

3. Analysis of Present Condition and Identification of Hindrance for Improvement

3.1 Legal and Administrative System in Import and Export Trade

3.1.1 Basic Objectives in Formulating the Improvement Strategy

Indonesia must not undermine its cost competitiveness before its longer-term strategies can take effect. The basic objectives in formulating trade facilitation action plan will be to realize national cost competitiveness in trade transactions strong enough to enjoy the merit of regional and multilateral market developments supported by such frameworks as AFTA, APEC and WTO.

At the same time, under the ever globalizing world business structure, in every public service concerning international trade transaction, clarity, convenience, user-friendliness and legal stability, coupled with forward-looking developments in infrastructures, which may excel neighboring economies will be minimal requirements in winning the foreign as well as domestic traders' confidence, which Indonesia definitely needs if the country is to develop as one of the trade-hubs in the Asia-Pacific.

Indonesia has been doing a series of serious efforts for opening up its market and for trade facilitation. In the light of, however, current developments in international trade markets, lots of forward-looking improvement for trade facilitation may be said required.

For example, as was seen in Chapter 2, APEC's Trade Facilitation Action Plan covers following four categories; movement of goods (to include customs, port, health and quarantine and similar procedures), standards, business mobility and e-commerce. It means, namely, the sooner a particular country achieves the goals, the quicker advancements in the country's export/import is expected. It would be advisable to Indonesia to select its strategic goals making use of such menu of options of actions or measures, as crucial national targets in a forward-looking positive manner, not in a passive concept as "compliance" to international commitments as seen in the case of some of IMF agreements.

3.1.2 Menu of Trade Facilitation Actions and Measures

Table 3.1.1 shows the list of trade facilitation actions and measures which has been confirmed at the APEC Ministerial Meeting in 2002, as a menu of options in terms of MOVEMENT OF GOODS from which individual economies (countries) will select the actions or measures they intend to implement to reach the overall goal of a substantial reduction in trade costs. (The menu listing has been done simultaneously for three other categories, namely STANDARDS, BUSINESS MOBILITY and ELECTRONIC COMMERCE.)

The table may prove of use as the maximum listing of all the conceivable actions and measures which may be utilized as a good reference material in formulating or evaluating Indonesia's actions in these regards.

Table 3.1.1 Trade Facilitation Menu of Actions and Measures

| No. | Objectives |
|-----|--|
| | Actions |
| 1) | Public Availability of Information on Customs and other Trade-related Laws and Regulations |
| | <ul style="list-style-type: none"> • Make customs and other trade-related laws, regulations accessible to the public in paper form, and electronically • Establish inquiry points for customs and other trade procedures • Provide opportunities for consultation with stakeholders • Establish customs and other trade-related websites. |
| 2) | Appropriate, Transparent and Predictable trade-related Procedures |
| | <ul style="list-style-type: none"> • Swift customs and other trade-related procedures --- minimizing unnecessary physical examination • Customs and other trade-related laws / regulations in a consistent and uniform manner across the economy • Customs; develop/implement a code of conduct • Simplify procedures for refund / re-imburement of customs and trade-related duties and taxes • Build partnerships with stakeholders in int'l movement of commercial goods • Refrain from posting minimum import prices |
| 3) | Harmonization of Tariff Structure with the HS Convention |
| | <ul style="list-style-type: none"> • Fully implement HS Convention with HS 2002 changes • Providing the WCO HS Explanatory Notes in local languages • Build capacity of customs laboratories • Make available precedent-based rulings in electronic format |
| 4) | Simplification and Harmonization on the Basis of the Kyoto Convention |
| | <ul style="list-style-type: none"> • Fully implement the Body and General Annex, and to the extent possible, the Specific Annexes. • Establish an effective advance ruling process • Establish a surety bond system to allow for entry of goods with payment of duties to be delayed. |
| 5) | Paperless and/or Automation of Trade-related Procedures |
| | <ul style="list-style-type: none"> • Ensure measures to secure inter- operability in the international supply chain of goods and services • Establish an electronic system to allow shipping companies to compile and issue cargo manifests and transmit them to customs and other administrations • Establish a web-based electronic system for application for and issuance of quarantine documents, health certificates, certificates of origin, and standard certification, with electronic transfer ability to importing authorities. • Adopt common frameworks for trade-related procedures among enterprises, such as Trade Electronic Data Interchange (TEDI) and Pan-Asian E-Commerce Alliance (PAA). • Adopt account-based import processing for importers. Create systems for the collection of duties and taxes on a periodic basis (rather than completing import transactions one at a time). |

| | |
|-----|--|
| 6) | Adoption of Standard Electronic Format And Harmonized Data Elements |
| | <ul style="list-style-type: none"> • Adopt UN/EDIFACT or other standard electronic formats for customs and other trade-related procedures. • Use Internet compatible systems for the transmission of trade-related data elements. |
| 7) | Adoption of the Principles of the WTO Valuation Agreement |
| | <ul style="list-style-type: none"> • Fully implement the WCO Valuation Agreement • Adopt laws/regulations to provide binding valuation decision to importers. • Refrain from posting minimum import prices. • Implement Post Audit Clearance systems. |
| 8) | Clear Appeals Provision |
| | <ul style="list-style-type: none"> • Adopt laws/regulations to establish appeal system with transparent review and/or judicial process to appeal customs decisions and actions. • Adopt procedures to provide written rulings on issue. |
| 9) | Risk Management |
| | <ul style="list-style-type: none"> • Develop --- such as systemic cargo-profiling techniques, and/or a computerized risk management system to identify high-risk shipments and minimize physical examination. • Develop an electronic reporting system for importers/exporters and international carriers to declare dangerous goods to customs, the port authority and other related administrations. |
| 10) | Guidelines for Express Consignments Clearance |
| | <ul style="list-style-type: none"> • Adopt the WCO Guidelines on Express Consignments. • Establish dedicated clearance windows. • Provide round-the-clock customs clearance for express consignments. |
| 11) | Provisions for Temporary Importation, e.g. Acceding to the A.T.A. Convention or the Istanbul Convention |
| | <ul style="list-style-type: none"> • Accede to the A.T.A. Carnet Convention and/or Istanbul Convention on Temporary Admission and ensure all laws, regulations and procedures are consistent with the conventions. |

Source: www.apec.info/web/ APEC Online

On top of various subjects listed in Table 3.1.1, some more important subjects are being discussed at 10 sub-fora (sub-committee or group) under APEC's Committee on Trade and Investment in making progress in bringing forward the trade facilitation. Some of these subjects are:

- 1) Intellectual Property Rights
- 2) Competition Policy and Deregulation
- 3) Government Procurement
- 4) Standards and Conformance
- 5) Customs Integrity

3.1.3 Improvement Plan by Respective Authorities Concerned

(1) Ministry of Industry and Trade

As a part of its Industrial Revitalization and Industrial Development Program, the Ministry has been and is progressing, in terms of foreign trade revitalization and development, various key initiatives. Among them, the initiatives which have particular relevance with trade facilitation may be said:

- 1) To harmonize trade policies in compliance with the international commitments (AFTA, APEC and WTO),
- 2) To penetrate and explore non-traditional markets,
- 3) To create free-trade agreements and utilize counter-trade scheme by using bilateral approaches,
- 4) To implement fair competition policy consistently.

Also, it may be worthy to note that the Ministry lists in its inter-net homepage, at the top of key policy issues and programs such as the Industrial Revitalization Program and Industrial Development Program, Presidential decree No.54/2002 which is intended to allow the Government to make integrated and coordinated steps to improve the flows and distributions of goods in order to increase competitiveness in international market. (www.bi.go.id/ “Challenges and Strengths of Indonesian Industry and Trade”)

Another key pending subject in the Ministry’s activities concerning trade facilitation is understood to be the enactment of Trade Law.

(2) Directorate General of Customs and Excise, Ministry of Finance

In order to improve the service and supervisory task in the customs sector, Directory General of Customs and Excise (DGCE) has been solidly developing the system and quality of its service. DGCE is well aware that, as a trade facilitator, the Authority is expected to make the international flow of goods run smoothly, reducing related costs, and creating an efficient, transparent, predictable and easy to access customs services. If one looks at “SCCP Collective Action Plan Implementation Schedule” contained in “A Blueprint of the APEC Sub-Committee on Customs Procedures (SCCP)”, one would understand Indonesia’s customs procedures have been making progress in the same manner as the other leading members’ in terms of HS Convention, Public Availability of Information, WTO Valuation Agreement, TRIPS, Clear Appeal Provisions, Advance Classification Ruling System, Temporary Importations and Risk Management.

(Note) * HS Convention : The Harmonized System (HS) is an international commodity classification system developed by the World Customs Organization (WCO).

The international commodity classification consists of six digits. Local digits can be appended to the six digit number when required. More than 98% of world trade is currently classified under the HS.

- * WTO Valuation Agreement : Valuation of goods is important since the valuation is usually the base on which tariff and tax liability is calculated. Most countries follow valuation procedures set out by the WTO. These countries have agreed to Article VII which attempts to provide a basis for a fair and neutral system for the valuation of goods.
- * TRIPs : Agreement on Trade-Related Aspects of Intellectual Property Rights

DGCE's current Strategy Paper lists initiatives for trade facilitation as strategic measures as follows:

- 1) Validation of new system for channel determination (priority channel-gold card, green channel and red channel),
- 2) Improvement of payment system (improvement of pay document form, electronic payment data delivery system, and mandatory payment through authorized banks),
- 3) Improvement of price database (to prevent under valuation)
- 4) Improvement of goods releasing system, and
- 5) Development of DGCE's information system, namely
 - i) Modernization of DGCE's Automation System (in the short term; re-design of import application, development of export application and implementation of EDI manifest, etc., and in middle term ; development of integrated customs and excise information system, such as on-line transaction including the bonded zones, and data warehouse for internal use as well as other authorities' use.)
 - ii) Completion of DGCE's website, and
 - iii) Development of Customs EDI Community (enhancing more optimal use by the banking side etc., conducting cooperation with stakeholders, ----- in the next step the establishment of national EDI-board will be proposed as a main public services integration based on EDI in the customs sector, and later on all data interchange can be conducted electronically.)

(3) The Economic Policy Package Pre and Post – IMF, or “White Paper”

This is said to be the first government economic policy package, which includes concrete action plans for various policies, different from the five-year plan (PROPENAS) and annual plan (REPETA). The white paper consists of three parts: macroeconomic stabilization program, financial sector restructuring program, and a program to increase investment, exports, and employment creation. The package has been implemented since September 2003, and as at the end of May 2004, the government (and IMF as well) evaluates there has been substantial progress in implementing the policy and operational measures.

For example, the National Team for Investment and Export formulated by the Presidential Decree No.87/2003, being chaired directly by the President and comprising senior ministers, pushed the export promotion adopting both country-wise approach and commodity-wise approach. In terms

of country-wise approach, separate action plan has been adopted for traditional markets such as U.S., Japan, UK and EU, and for non-traditional markets such as Middle East, Africa and Latin America. A series of strategy such as trade exhibition, bilateral and/or regional cooperation have been developed addressing separately to those two types of countries. In terms of commodity-wise approach, under the over-all target of 7% export increase of non-oil/gas 15 commodities, export promotion activities have been developed with separate increase target per each commodity, such as furniture 8%, processed wood 26%, coffee 30%, and textile and textile products 5%.

Many policies and actions related to trade facilitation in varied degree are included mainly in Part III “Investment, Exports and Employment Program and Employment Generation” of the Package as Table 3.1.2.

Table 3.1.2 Policies and Actions Related to Trade Facilitation

| Policy Measures | Action Plans | Progress up to May 2004 |
|--|--|---|
| Increase export through Promotion and market Penetration | Increase trade to non-traditional markets through activities of Indonesia Trade Promotion (ITPC) | Establish ITPC offices in Johannesburg and Sao Paulo (Completed) |
| | Promotion and trade mission | Solo exhibition in Sarjah and in Tripoli (Completed). Mission to Australia, Taiwan, and U.S. (Completed) |
| | Increase non-oil exports to Non-traditional markets through Counter-trade | Discussion is going on with 13 countries |
| Eliminate obstacle to Investment and Export | Set up a National Investment and Export Team to address problems with security and law order, employment, policy consistency between central and regional governments, taxes, customs and infrastructure | Completed. Presidential Decree No.87/2003 on National Team for Promotion of Investment and Export dated 11 nov. 2003 has been issued. |
| Institutional management to support business | Submit a trade law to the parliament | There have been several discussions between departments to finalize the draft law. The Draft Law is scheduled to DPR in June 2004. |
| Simplify procedures for export and import | Harmonize import tariff for commodities consistent with changing competitiveness | <ul style="list-style-type: none"> • Program for Import Duty tariff harmonization is near completion. • AHTN began to be effective on January 1, 2004 |
| | Simplify import permit procedures through on-line system when issuing API, APIT, and NPIK | Completed |
| Customs Reform | a. Improved import clearance information system (including on-line payment for tax and customs with a single document) and customs and quarantine information system (MoF Decree 453/20039) | a. An Import Service Application System has been implemented gradually at Tanjung Priok I, II, III, and Sukarno Hatta Customs office on Apr 1, 2003. At Tanjung Perak, Tanjung Emas and Belawan Customs Offices on June 1, 2003. At Jakarta, Bandung, medan, Den Pasar and Balikpapan Customs offices on Nov 1, 2003. Application of Electronic Data Interchange (EDI) is pending the opening of connection to the Customs EDI main server. |

| | | |
|--|--|--|
| <p>Customs Reform</p> | <ul style="list-style-type: none"> b. Improve services to exporters with a better customs information system c. Extend the use of priority (green) lanes for good tax payers. d. Improve selection process (pre and post clearance) based on risk management (MoF Decree 453/2003) e. Enhance coordination to stop smuggling (President Decree 54/2002) f. Improve the quality and integrity of customs personnel, and implementation of the code ethics. (MoF Decree 515/2002) g. Improve price data base to reduce undervaluation h. Provide better access on customs payment and public complaints (Telp 021-4897777 and www.beacukai.go.id) | <ul style="list-style-type: none"> b. There has been cooperation to build online network between Directorate General of Customs and 56 Banks of Perception Foreign Exchange. c. On-going d. On-going e. There have been regular meetings between related agencies under the Coordination Team for Smoother Flow of Export and Import Goods. From Jan – May 2004 there have been many improvements to handle smuggling operation. f. Establishment of Work Team and Secretariat of the Committee for Employee’s Code of Ethics and Conduct in the Directorate General of Customs. A channel for complaints about violation of code of ethics at telephone number 021-3842074 has been opened. g. completed. h. Starting Apr 2003 and on. |
| <p>Rehabilitate Infrastructure and Improve Transfers between Modes</p> | <ul style="list-style-type: none"> a. Improve the transport of goods to and from the Tanjung Priok b. Rehabilitate the port of Tanjung Priok c. Extend Jakarta Outer Ring Road 35 km in 2003, and 8 km in 2004. | <ul style="list-style-type: none"> a. Currently in the process of providing the development budget through JBIC and expected to become a Plrdge to be discussed in CGI Meeting in 2004. b. Loan Agreement has been signed in 31 March, 2004 with the amount of 12,052 million yen. c. 2003 - 2004 |
| <p>Increase Private Sector Role in Developing Transport Infrastructure</p> | <p>Propose revisions to Road Transportation Law 14/1992</p> | <p>Draft Law on Road has been submitted to Cabinet Secretariat on May 11, 2004</p> |

Source : Report on the Implementation of the Economic Policy Package Pre and Post – IMF (INPRES 5/2003), Monitoring Team for INPRES No.5/2003, CMEA

3.1.4 Legal and Administrative Aspects Which Require Further Attention for Trade Facilitation

Looking at the above listed actions and measures currently being taken by Indonesia’s government, it may be appropriate to suggest the government to pay more attention or take quick actions in terms of the following subjects.

(1) The Presidential Decree No.54 / 2002 and follow-up actions henceforth.

It seems of vital importance for Indonesian Government as a whole to reconfirm recognition that smooth cargo flow is a key element in cultivating international competitiveness of the nation.

In 2002, a World Bank report found that action on trade facilitation – including improvements in ports, regulatory systems, standards, and electronic commerce – would increase trade among APEC members by US\$280 billion. The Bank’s study formed the basis for discussions on facilitation measures among trade ministers of the APEC member economies on their meeting in Los Cabos, Mexico on October 23-24, 2002.

Among the study’s findings, it stated that exports would rise in Indonesia by \$2.9 billion, (Thailand by \$3.9 billion, Malaysia by \$6.3 billion) with investment in trade facilitation in the region. The overall gains to trade from investment in trade facilitation would exceed those in tariff cuts on manufactured goods, and the greatest gains to developing countries would come from improvements in ports and customs efficiency, the report said. And for Indonesia, it stated, focusing on improving port logistics would yield an efficiency gain of some US\$10.8 billion, and potential increased efficiency from increased transparency and professionalism worth \$3.5 billion and about \$2.3 billion from standards harmonization.

It was with this background that Presidential Decree No.54/2002 “On the Coordinating Team for Enhancing the Smoothness of Export and Import of Goods” was issued on July 23, 2002, and a national team was formulated to monitor and improve the flow of export and import commodities. The Coordinating Minister for Economic Affairs was reported to have visited Tanjung Priok Port, being accompanied by officials from the Directorate General of Sea Communications, PT Pelabuhan Indonesia II, the Police Department and customs, and to have found cases to be rectified, in terms of stevedoring efficiency, reporting system at the cargo terminal, and among others 150 regulations on import and export, many of which are in conflict with each other.

At present, however, in the “White Paper”, Presidential Decree 54/2002 is cited, only in the framework of action plans on IMPROVING TAX AND CUSTOMS SERVICES, in terms of “Enhance coordination to stop smuggling”.

It may be of use for the Ministries concerned to recollect the original Presidential Decree wording which reads as follows :

“----- The coordinating team shall be assigned ;

- a. to coordinate efforts to enhance the smoothness of law enforcement for violation against provisions of laws on exported and imported goods as well as their transport equipment,
- b. to coordinate the intensification of efforts to eradicate all kinds of smuggling,
- c. to coordinate the formulation of strategies to enhance the smoothness of export and import of goods,
- d. to coordinate the planning, implementation as well as evaluation of activities to enhance the smoothness of flow of exported and imported goods. -----“

While the above items a. and b. have been attended in earnest, items c. and d. might need much more attention.

Needless to say, facilitation of international trade and transport requires the involvement of many government agencies dealing with trade, transport, customs, security, quarantine and quality control. Efficient and effective coordination and cooperation among all the agencies through proper inter-agency coordination units are crucial to the facilitation of international trade and transport. Trade and transport facilitation also requires effective cooperation between the public and private sectors.

It is clear that trade and transport facilitation is now an important component of trade policy and of overall policies for economic development and strengthening trade competitiveness.

While Indonesia has attained some progress in addressing facilitation issues, major challenges remain, including overcoming constraints and bottlenecks that cause delays in ports and often time-consuming access to ports, which increase delivery costs of products and reduce their competitiveness. To enhance the capacity of the country to reach international markets efficiently, there is a need to address a range of issues, including those related to :

- (a) taking a comprehensive approach to trade and transport facilitation,
- (b) the mitigation of institutional, procedural and documentary complexities and inconsistencies,
- (c) the application of ICT.

Keywords here in Indonesia in this connection may be “Soft-ware backed by hard-ware” and “Simplification based on common information holding”.

In order to cultivate international competitiveness of manufactured commodities as a whole, it would be of vital importance for Indonesia to reaffirm the total vision of the Presidential Decree 54/2002, so that the establishment of over-all logistics system for export and import transactions could steadily be at the center of national trade and industry policy formulation, as an indispensable infrastructure spanning over the country’s land, sea and air.

(2) Trade Law --- Prompt enactment is wished for.

As of June 2004, the Trade Law draft has not been presented to DPR. The Draft covers almost every aspect of domestic and international trade in brief wordings, and therefore, it is apparent that the coming Law is expected to be borne as an fundamental law in trade regulation which promotes subsequent introduction or revision of numerous relevant laws and regulations. As Indonesia has entered into the global system, there has been reform on various statutory enactments in the field of international trade and foreign investment. In many ways further reform would be required, namely, in reforming outdated laws, introducing laws to comply with international agreement, in improving investment climate, or in introducing laws that are commonly prevalent in industrial countries.

As the Draft pertains to the wide range of trade-related aspects, it may be natural for the Government to be taking time to attain consensus. But the enactment of the law is wished to be as quickly as possible, because this is the fundamental law from which numerous trees and branches have to grow henceforth.

‘Rule of law’ and ‘law based behaviour’ has long been alienated concepts in Indonesia. Empirical evidence proves that efficient law and legal institutions promote economic activities. Law promotes and sustains business confidence. It can be argued that Indonesia, henceforth, would be compelled to embrace the application of rule of law and rule-based commercial transactions. Indonesia has been known for its patronage system, but for any foreign economic entities, legal certainty will be the only protection. And besides, as Indonesia engages and commits itself to regional and international frameworks (WTO, ASEAN, and APEC) – all of which to a greater or lesser extent incorporate rule-based behaviour – the influence of law will be unavoidable. The enactment of a synthetic Trade Law, pertaining to all the aspects of trade in Indonesia is wished to establish sense of legal stability among both foreign and domestic traders.

It may be worthy to note that, in terms of international trade, such subjects as Free Trade Zone (Article 36), Intellectual Property Rights (Article 71-73), and electronic transaction (Article 74-82) are all included in the Draft. Reference is done on these three subjects separately in the following clauses (3), (5) and (6).

(3) Free Trade Zone

Under the title of Free Trade Zone, the Article 36 of the Draft reads as follows:

- i) Free trade zone is a specified territory in the Republic of Indonesia which is separate from regions of customs office and so it is free from import tax, added value tax and sales tax which fulfill the following conditions:
 - a there is a clear borderline (with a fence)
 - b there is no residential area,
 - c there is no retailing activities,
 - d it goes through one exit ; and
 - e. it is not for industries set up by taking advantage of certain facilities of international trading.
- ii) The determination of a territory for free trade zone shall be bound by laws.

The above item i) declares that the free trade zone is --- separate from regions of customs office so it is free from import tax, added value tax and sales tax ---, following the exactly the same stipulation in Law No.36/2000 dated December 21, 2000, “Free Trade Areas and Free Ports”. (On the basis of this Law, Free Trade Zone and Free Port of Sabang has been established since 2000.)

This makes clear contrast with the stipulation of Government regulation 33/1996 on Bonded Stockpiling Sites which reads “Bonded stockpiling sites shall be buildings, places or areas within

customs area”.

This draft Article 36 may be worthy of notice as a means to stimulate economic growth and development in Indonesia from now on, by prevailing a new area-wise system a little different from existing Bonded Zone system.

In this connection, it may be worthy to note that, in 1990, Malaysia introduced the Free Zones Act which replaced the Free Zone Act 1971. The major change introduced in the Free Zones Act 1990 is that, in addition to manufacturing activities, its coverage is extended to commercial activities, defined as trading (except retail trading), breaking of bulk, grading, packing, relabelling and transit. The activities and industries therein are subject to minimal customs formalities and for this reason in law, it is deemed a place outside the Principal Customs Area except in respect of prohibition of imports and exports of particular goods stipulated by Customs Act 1967. (www.miti.gov.my/, & www.portsworld.com/).

From practical aspects, for example, the Free Zone in Johor is playing the role of distribution center of factories located in various parts of Indonesia, by accepting the products of those factories after those commodities' prices have been paid by the parent company as a buyer located in third country (such as Japan) and accordingly the ownership of them has been transferred to the parent. Malaysian Free Zone gives non-resident's (foreigner's) stock the same privilege in terms of taxes and duties as in the case of resident's. Thus the parent company (say, in Tokyo) can make use of the Johor facility as the distribution center meant for the export to the world, while factories in Indonesia can receive cash quickly and continue production works with ease. Needless to say, currently in Indonesia non-residents are not allowed to make use of bonded warehouses. In order to enhance the convenience of Indonesian factories in promoting the export of their products, and for the increase of employment of domestic workers, it might be necessary for Indonesia to introduce free trade zone system which admit non-resident's stock.

On the other hand, Thailand has adopted “Free Zone” system in parallel with ordinal “Manufacturing Bonded Warehouse” system. Entrepreneurs in a Free Zone established by Customs shall be granted exemption from payment of import duties and taxes on machinery and new materials used for production of goods in the Zone. Granting of this privilege is not directly tied to export of the products. Of course, if the products from a Free Zone enter into Thailand for consumption, customs duties and taxes are levied. If the imported merchandise is re-exported to other countries, no customs duty is charged. Thus, entrepreneurs in the Free Zone seem to be able to enjoy more managerial flexibility than in the case of ordinal manufacturing bonded warehouse meant for export.

In the expanding global marketplace, competition among nations for jobs, industry and capital is going on. And Thai Customs say (in their website) Free Zone Program encourages Thailand-based operations by removing certain disincentives associated with manufacturing in Thailand, making business circumstances as if the products were manufactured abroad.

Just for the sake of easy reference, the gist of Free Zone program in Malaysia and in Thailand are compiled in Table 3.1.3.

Table 3.1.3 Free Zone Program in Malaysia and Thailand

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| <p>Malaysia's Free Zone Procedure;</p> <ol style="list-style-type: none">a) The Free Zones Act 1990 and the Free Zones Regulations 1991 came into force on the 5th September 1991. The Minister of Finance is vested with the power under Section 3(1) of the Free Zones Act 1990 to declare by notification in the Gazette any area in Malaysia to be a free commercial zone or a free industrial zone and every such notification shall define the limits of such zone.b) Other than manufacturing activities, Free Industrial Zone's Company is also allowed to operate procurement activity in Free Industrial Zone upon approval granted by Ministry of International Trade and Industry under International Centre Incentive Scheme.c) International Procurement Centre (IPC) ; The term IPC refers to a locally incorporated company whether local or foreign owned which carries on a business in Malaysia to undertake procurement and sales of raw materials, components and finished products to its group of related and unrelated companies in Malaysia or abroad. This would include procurement and sales from local sources or from third country. Tax incentives given to IPC is in the form of exemption of import duties to bring in raw materials, components and finished products into the Free Zone or Licensed Manufacturing Warehouses. IPC is also exempted from the requirements of Ministry of the Domestic Trade and Consumer Affairs Guidelines on foreign equity ownership on wholesale and retail trade. |
| <p>Thailand's Free Zone Program;</p> <ol style="list-style-type: none">a) Relief from import and internal taxes/duties. Imported merchandise, removed into or manufactured in a Free Zone for industrial or commercial operations or any other operations involving economic growth and development, is not subject to import taxes and duties. Also, the imported merchandise removed into or manufactured in a Free Zone is also not subject to Value added Tax (VAT), excise taxes. Additionally, a "ZERO" tax rate is applied to calculate VAT for domestic merchandise removed into a Free Zone, provided that such merchandise subject to export duty or exempted from export duty under the Customs Act.b) Relief from export duty on re-exports. A Free Zone is considered to be outside Thailand and Thai Customs territory. Accordingly, when foreign merchandise is brought into a Free Zone, no taxes and duties is owed until the merchandise leaves the Zone and enters Thailand for consumption. If the imported merchandise is re-exported to other countries, no Customs duty is charged.c) Establishing a Free Zone. Free Zone are normally private plant sites approved by the Customs Department<ul style="list-style-type: none">• Industrial Free Zone --- Applicants for an Industrial Free Zone shall meet either of the following criteria. Namely, granted authority from one of the authorities in charge to establish an industrial activity zone, to operate an industrial community zone of building or dependent factory type, or to operate a general industrial zone, or to invest in an industrial zone or software industrial zone or ornament and jewelry industrial zone, or to operate any other industries involving in economic growth and development.• Commercial Free Zone. Applicants for a Commercial Free Zone shall carry out import/export related business as follows --- Trade, services, or international transportation ; distribution of goods, bonded warehouses, or international goods distribution centers ; exhibition or fair ; other operations approved be the Customs department as involving in economic growth and development. |

Source : www.treasury.gov.my/org/cukai, www.customs.go.th & www.asean.or.id

In connection with the above discussion on Free Trade Zone, it might be appropriate to touch upon here Indonesia's possible New Bonded Warehouse.

As is seen in Government Regulation No.33/1996 on Bonded Stockpiling Sites, Indonesia's bonded zones to-date are meant only for goods or materials of import origin, and not for export cargoes. In such a case where goods of domestic origin are brought into the bonded warehouse, value-added-tax (VAT) is levied. When these goods are exported, the refunding of the tax is available, but this might be said unnecessary trouble. Partly in order to solve this problem, as well as for more overall purposes, it has been reported that Indonesian Customs has promulgated the draft regulation of the Minister of Finance on the New Bonded Warehouse, to the effect that bonded warehouse facility shall become available both for import and export cargoes in the same manner. The draft is now under pending status at the Minister's office, reportedly because of the tax authority's objection.

In the case of components produced by a domestic supplier and brought into a bonded factory for export, no VAT is levied. From a viewpoint of bonded factories, it is desirable for them to be able to make use of bonded warehouse as their distribution center for both of their components and products, so that the factories themselves can concentrate in production activities. In order to strengthen the factories' competitiveness, it seems desirable to establish a system whereby goods can be routinely exported from the bonded warehouse. It may be appropriate for the government to materialize the introduction of the New Bonded Zone System at an early stage.

(4) Further progress in the Customs' procedures needed.

Although Indonesia's Customs' procedures have been substantially simplified, clarified and effective of late, following points may need to be addressed further in the light of on-going globalization of business strategy.

Namely, it has been pointed out that the DGCE's existing systems and facilities appear to be disjointed and developed in isolation of each other, and that there exists an urgent need for DGCE to review and refine its medium/long term vision for the use of technologies, including other departments' requirements, and further, including inter-operability in the international supply chain of goods and services.

DGCE is well aware of this problem and its STRATEGY PAPER delivered to its Government Associate Team states in its ending chapter as follows:

“Conducting cooperation with the stakeholders --- such as shipping company, temporary pilling up site businessmen, Directorate General of Taxes, Directorate General of Budget, Ministry of Trade and Industry, Food and Drugs Supervisory Agency, Quarantine, Pelindo (port EDI system), etc.”

“In the next step the establishment of national EDI-board will be proposed as a main of public services integration based on EDI in the customs sector and later on all data interchange can be conducted electronically.”

Much more aggressive posture to catch up with global development of e-commerce and supply-chain might be hoped for to support Indonesia’s trade facilitation in the future.

(5) Intellectual Property Rights (IPRs)

In 1997, Indonesian Government made substantial changes to the IPR framework, both conceptually and functionally, in order to abide by the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPs). To this end, the following laws were promulgated: Law No.12 of 1997 (copyright), Law No.13 of 1997 (patents), and Law No.14 of 1997 (trademarks). Presently, these laws are slated for further amendments and/or modifications. Furthermore, five international conventions on IPR were fully incorporated into the national law. All these changes and joining of conventions in the field of intellectual property rights are evidence of Indonesia’s willingness to join the family of nations within the framework of the World Trade organization. It is a well-known fact that the US Trade Office, as of May 2000, placed Indonesia on the “watch list” category with regard to IPR regimes. Prior to this, Indonesia had been placed on the notorious “special 301 priority watch list” -facing possible sanctions under S.301 of the Omnibus Trade and Competitiveness Law.

In recent years, three other IPR instrument-related laws were enacted in the DPR – industrial design, integrated-circuit space design, and trade confidentiality. All indicators show that the Government is committed to reform the IPR regime in line with international best practice.

On the other hand, however, what is crucial is the legal and institutional ability to provide immediate redress in the event of a third party IPR infringement. In Indonesia, a civil action can be instituted to claim damages for losses suffered due to an act of infringement. The Courts may, if warranted, issue a preliminary ‘Injunction Order’ to prevent further alleged violation of IPRs while the necessary investigation is proceeding.

Still, it is pointed out, much of the legislative details of the new IPRs laws are left to implementing regulations. Typically, this allows wide latitude in administrative discretion in interpretation, implementation and enforcement. Also, it is pointed out that, at present, neither the relevant institutions nor the judiciary possess the efficiency or dynamism to implement and enforce the IPRs laws strictly and the Intellectual Property Rights Office is swamped with a huge backlog of IPR applications. Time is of the essence in the context of IPRs.

(6) Electronic Transaction

Up to now, Indonesia does not have any law or government regulation directly addressing to electronic commerce. Nevertheless, the quick development of information technology, especially the development in electronic transaction forced the government to join the world in this

connection.

By the ten of the head of ASEAN countries, e-ASEAN Framework Agreement was signed in November of 1999 in Singapore. The purpose of this Agreement is to increase ASEAN competitiveness in global market and to decrease digital divide among ASEAN member countries. But one of the important thing in the e-ASEAN is the Mutual Recognition Arrangement in facilitating trade of ICT products among ASEAN countries to adjust national standards of ICT products with relevant international standards. In advance of the implementation of AFTA, for example, Indonesia is wished to be well prepared in this connection, as an ICT product that has been examined abroad will not be examined again in Indonesia when this product enters into Indonesia.

In Indonesia, efforts have always been made in developing a fibre-optics-based infrastructure. As a vision of Indonesia entering into information era as an important part of the global community, the Country has Information and Network Nusantara 21. In 2000, the President of Indonesia appointed a presidential team named the Indonesian Telematics Coordination Team, with the responsibility to coordinate the mobilization of necessary resources and the implementation of Nusantara 21. The Coordination Team has been reported to have selected six government portals, which will be used as e-government pertaining to three elements, ie. information, communication and transaction.

Such being the most recent developments in the government, it may well be said that people will not wait for e-commerce regulation to be issued by the government, as there are lots of e-commerce activities done by people or internet users.

The Draft Trade Law has nine Articles (Article 74 – 82) on Electronic Transaction, endorsing law power of the electronic transaction as strong as the transactions made orally or on paper, requiring for electronic signature, and requiring for the maintenance of the data and information for the same period as in the case of paper documents, and so forth.

While all of these stipulations are essential, lots of more detailed regulations and guidelines must be established from now, so that Indonesia can make the most of coming international e-commerce regime.

In this global economy, the word “e-commerce” or “e-transaction” does not mean simple electronic data processing system in such a simple meaning as sending trade-related documents by electronic message in place of postal mail or courier service. Recent international trade transaction has been achieving dramatic transfiguration through the evolution both in IT (information technology) and communication technology. The word “e-commerce” or “e-transaction” is tending to be utilized to cover such broad range of cross-boarder trade transaction as under :

- i) Electronic Straight Through Processing (STC) of trade procedures, linked with procedures in the other party’s country,

- ii) Realization of international door-to-door transportation, combining plural transportation means spanning over a border line,
- iii) Synchronization of transport of goods (sea, air), trade finance and settlement, ie. realization of DVP (Delivery Versus Payment),
- iv) Introduction of Single Window for trade related administrative procedures (permit/license, port/customs, land transport), and for that purpose, the establishment of trade platform (by cargo-owner, forwarder, shipping company, air transport company, financier, insurer, port, customs, quarantine, surveyor, and conjoint action between administration and business entities in terms of transaction approval, and between business circles),
- v) Conjoint action among the nations' trade platforms through trade/finance EDI, including information sharing among the nations' customs, and
- vi) The establishment and operation of international right registration center (registry office) .

Such being the case, the problem of jurisdiction is very important in doing e-commerce, and following the above developments, establishment of international rules have been progressed. If we take a quick look of the recent developments in this connection at United Nations, US, and EU, the progress has been as follows :

- i) United Nations :
 - * 1992 May ; UNICITRAL Model Law on International Credit Transfers,
 - *: 1996 July; UNICITRAL Model Law on Electronic Commerce,
 - * 2001 July ; UNICITRAL Model Law on Electronic Signature
- ii) US ;
 - * 1998 October ; DMCA (The Digital Millennium Copyright Act) --- Provider responsibility law.
 - * 1999 July ; UETA (Uniform Electronic Transaction Act)
 - * 1999 July ; UCITA (Uniform Computer Information Transactions Act --- trade act on information property,
 - * 2000 June ; Electronic Signatures in Global and National Commerce Act.
- iii) EU ;
 - * 1999 December ; European Parliament and Council Directive on a Community Framework for Electronic Signature,
 - * 2000 June ; European Parliament and Council Directive on Certain Legal Aspects of Electronic Commerce in the Internal Market ----- electronic contract law, and provider responsibility law.

(7) Development in Implementation of Competition Law .

Neither in the “White Paper” nor “Transition Plan For 2005-2006”, no mention is done about Competition Law. The Law No.5 of 1999 on Prohibition of Monopolistic Practice and Unfair Business Competition (Hereinafter, Competition Law) has taken effect since September 5, 2000.

In view of the economic importance of this Law, it is difficult to understand why no mention is done about this Law.

At the 1st ASEAN Conference on Fair Competition Law and Policy in the ASEAN Free Trade Area (AFTA) in Bali in March 2003, following views were confirmed:

- i) There was a clear consensus that sound competitive law and policy promote economic growth and development.
- ii) There was also a clear consensus that competition policy and trade policy were complementary.

In the context of trade liberalization, competition policy is now considered by WTO to be essential if countries are to enjoy the full benefits of trade liberalization. In the Framework of APEC Trade Facilitation Principles, through its Competition Policy and Deregulation Group (CPDG), training programmes to assist economies to build up transparent and high quality regulatory regimes have been organized, while only two countries in ASEAN, i.e. Indonesia and Thailand, have national competition law.

On the other hand, it has been reported that, the two-day ASEAN Ports and Shipping Conference (May 23-24, 2002, in Jakarta) was held focusing on the development of Port of Tanjung Priok as a regional transship hub. If it is the government's real wish to be realized, building competition culture at the ports will also need to be addressed in terms of trade facilitation, because it is soft-ware, and not hard-ware, which brings superior position to a port among other ports of the same kind.

More attention may be required for the government in stressing the importance of implementation of competition law, building of competition culture, and public awareness of the benefit of competition law and policy.

From legal point of view, the Business Competition Supervisory Commission (hereinafter Commission) shall be an independent institution free from the influence and control of the government and other parties, and the Commission shall be responsible to the President. (Law: Article 30). In order to carry out this independence of the Commission, there is a view that the introduction of new law will be necessary so that the staff of the Commission secretariat can carry out their duties that are different in several aspects from ordinal administrative offices.

(8) Towards the introduction of "One-Stop" (Single Window) legal system in import and export process

In terms of trade facilitation, "One-Stop" service denotes the electronic communication and service system between administration and business-entities whereby every procedure required for the import and export of cargoes including ship's/airplane's entering the sea ports and air ports can be completed through one time input, by the applicant, of necessary data in one computer window. The desirability of this system is self-evident as information and communication

technology (ICT) is already playing a crucial role in the globalization process. ICT applications can contribute significantly to the efficiency of the trade and transport process and to reducing documentation delays in international trade and transport, thereby enhancing the benefits of logistics.

In order to establish this system, many pre-conditions need to be satisfied, for example :

- i) reduction or abolition of application forms and items of required information, based on through business process review at administrative offices,
- ii) common use of the same application form to the maximum extent among ministries and agencies concerned, establishing a network among government agencies,
- iii) international standardization of application forms as per FAL Convention,
- iv) to establish application by electronic data as a general rule,
- v) adoption of internationally compatible data formats based on such standard electronic formats as UN/EDIFACT or other standard electronic formats.
- vi) to maximize the contribution of e-commerce and ICT business applications to business entities' daily operation.

In view of the above, efficient and effective coordination and cooperation among all the agencies through proper inter-agency coordination units might be crucial to the establishment of "One-Stop" service for the facilitation of the country's international trade and transport.

3.2 Trade and Customs Related Issues and Problems

The Directorate General of Customs and Excise has been holding a regular meeting with stakeholders including traders and customers in order to have communication concerning trade related regulations and facilitation. Meeting with Jakarta Japan Club was held in February 2002 to respond to the request of Japanese manufacturers and traders. Following points are discussed and reached to some agreements concerning the effort to improvements.

(1) Customs procedures and officers

There are three problems in the implementation of regulations. 1) There are inconsistencies among officers for implementation of regulations because of the lack of standard guidelines of interpretation. 2) New regulations are enacted abruptly or sometimes retroactive, which does not allow customers to prepare for the change. 3) Sometimes even customs officers in the service office do not know the new or change of regulations. Situation behind this is a lack of comprehensive compilation of customs and trade related law.

Working style of officers is not efficient and cause delay of processing. Processing of documents should be substituted in the absence of signer. This tendency is shown more conspicuously on Fridays for the Islamic prayers and physical exercise. Unreasonable delays happen at import customs procedure. It sometimes makes importers assume that officers may solicit unofficial money especially when the holiday season comes close.

It is difficult to make corrections of minor errors such as mistakes in entering numbers of address or weight. There is no reference or "rule of thumb" for field officers to cope with irregularities flexibly. As a result nobody can handle in proper manner in an orderly way.

(2) EDI system related problems

Abrupt suspension of customs clearance, called blocking, arising from minor mistakes or conflicting views between the customs officials and the declarers. This sanction stops the rest of all the declarations. Measures should be taken to permit other PIB to be processed.

When the process delays, there is no way of knowing the reason. The situation and the reason needs be made traceable by EDI or web page so that importers will be able to take immediate action to cope with the situation.

After declared by EDI, submission of document by the original for release of cargo should be reconsidered according to the international trend of facilitation. Based on the risk management by importer profile and commodity data, process might be facilitated to the same level of the international trend which accepts copies and submission is not required.

(3) Friday Problem

As for the Friday problem, there are two elements that made importers headache. One is Muslim prayer on Friday which is large and takes longer than other days. Another is the delay of duty payment results in re-calculation of duties and re-writing of documents.

The customs takes the day of payment as the basis of calculating the duty, and as long as the payment is completed during the week, submission of document on Monday is accepted. If the payment becomes next week even though the document preparation was completed within the week, the document should be re-calculated according to the new exchange rate announced on Monday. Bank Mandiri opens on Saturdays at Tanjung Priok branch in order to facilitate the payment of duty. Payment on Saturday validates the documents using the exchange rate of the same week even if it is made on Monday in the following week.

(4) PNBP (Penerimaan Negara Bukan Pajak)

This is a fee to use EDI for customs declaration decided by the state government. Rationale behind this PNBP seems that the investment to develop EDI has to be shouldered by both government and user, because the benefit of EDI is enjoyed by the users for quick response as well as government.

The concept of PNBP is based on the suggestion by IMF in 2003, consisting of 1) Establish a special fund, 2) \$10 flat fee to ensure the future of customs to continue its trade facilitation initiatives.

Problem is that PNBP does not go to the special fund. Instead it goes to general revenue account in the state budget system. Therefore, the money paid is not guaranteed to be used to continue to improve the service of the customs including EDI improvement.

This is a topic that Ministry of Finance including DG Budget needs to understand the special characteristics of fund for specific purpose.

(5) Refund of tax payment

Delay and shortage of refund bring difficulty in cash management of export-oriented manufacturers. Apparel related products are subject to 40% import duty, but upon re-export to Japan, tariff refund is granted according to conditions. VAT of material for export encouraged items such as shoes are granted to exempt from tax and be refunded after 2 months of export. The process is slow and forced to wait more than one year, even when refunded, the amount is less than it should be.

This is a topic that Ministry of Finance including DG Tax and DG Budget needs to understand the situation and need to find measures to facilitate procedures.

3.3 Process Improvements and Correspondence to Users

(1) Improvements in Process

Several international efforts have been made to facilitate trade processing by coordinating customs authorities among ASEAN countries including assistance from international agencies such as WCO and World Bank. The result of efforts may come out in the form of quick processing, transparency and standardized documentation including EDI in customs procedures.

In addition to these activities, improvements in valuation procedures and risk rating for identifying illegal trade will be important to secure the safety of international trade.

The consulting team proposes following points in order to facilitate trade activities of bona fide users.

- 1) Regular meeting should be held to communicate inviting customers and other officers from other departments so that interdepartmental effort will be possible. Promote speed and transparency by improving and updating the Customs Database including importer and exporter profiles, price database, valuation procedure, tariff calculations, import and export priority facilities..
- 2) Improve predictability for the business community through website and publication including guarantee of service level indicating standard time required for transaction and officer in charge of control. This is know as Key Performance Indicator, which should be made by the DGCE so that the EDI service will be able to appeal the merit of using it.
- 3) It is important to check and guarantee the operation by substitutes at times of absense or on Friday. In addition, assessment by private sector should be conducted in order to ensure the level of service.
- 4) Organizational response or new organization is expected to coordinate and inseminate understanding and interpretation to officers and users as well so that the implementation of regulation becomes consistent. Major tasks of the organization is assumed to be the fololwing.
 - a) Improve consistency in interpretation of the rules. Standard Operating Procedure should be developed and instructed to officers at regional offices. This includes principles of officers attitude to cope with irregularities.
 - b) At the time of new regulations to enact, announcement system should be established using more than one media sources such as newspaper and website well in advance so that users will be able to prepare for the new procedures.
 - c) Prepare consultation desk and provide possible technical assistance including HS code and documentation.

- d) Conduct training programs for both officers and customers so that users will be better familiarized with the regulations and systems.
- e) Appeal from users at post clearance audit and complaint of regulations should be handled to make fair determination of what is right and what should be done to make things better.

(2) Promotion of Electronic processing by EDI

It is encouraged to reduce documentation taking into account the existing international standards including UN/EDIFACT, ASEAN and their related conventions. Electronic system such as EDI should grow from the primary stage of substituting documents to higher level of data sourcing and working as decision making information system. For that purpose following points should be noted.

- 1) In order to make the current EDI as reliable one, with upgrading databases and remedies of current problems in the program, maintenance organization should back-up the EDI system and security control 24 hours.
- 2) System implementation should be intended to extend to other government departments such as MOIT and MOA so that check and approval will be made smoothly without documents.
- 3) Statistical data should be summarized and reported periodically to top management as the Customs Management System. Experience at service office should be compiled and make them possible to browse and search appropriate answer at times of inquiry.

3.4 Improvement Required in Port Infrastructure

3.4.1 Government Policy for Sea Transportation

(1) Transportation Policy in Economic Policy Package with IMF Activity

In 2003, the government has laid the foundation for national economic expansion with monetary stability and macro economic success. The role of transportation is expected to be able to accelerate the process of economic revival and to stimulate a more equitable distribution of the development results.

Through President Instructions No. 5/2003 on Economic Policy Package with IMF Monitoring, three transportation policies with action plans, progress up to May 2004 have been stipulated as follow:

Table 3.4.1 Transportation Policy in Economic Policy Package with IMF Monitoring

| Policy Measures | Action Plans |
|--|---|
| 1). Rehabilitate the damaged transportation means and infrastructure and enhance the facility of inter-modes shifting | 1). Road transportation: Continue the rehabilitation of East Sumatra highway and north Java Coastal Road. 2). Improve the transport of goods to and from the Tanjung Priok Port 3). Sea Transportation: Rehabilitate the port of Tanjung Priok Port |
| 2). Develop transportation means and infrastructure in areas with large economic potential. | 1). Road Transportation i) Extend highways in South Kalimantan, West Sulawesi, and Kalimantan Border area ii) Extend Jakarta Outer Ring Road |
| 3). Enhance the participation of the private sector and the community in the provision of transportation means and infrastructure. | 1). Propose revisions to Highway Law, Road Transportation Law, Sea Transportation Law. |

(Source: INPRES 5/2003 CMEA)

The above President Instruction No. 5/2003 on Economic Policy Package with IMF Monitoring is stipulated the following action plans regarding the port operation policies.

- 1) To establish the base line of the performance index and monitor these index duly and continuously through collection of accurate data and information of port services and operation.
- 2) To enhance the efficiency of port operation through port rating and to perform bench marking with neighbor countries ports.

(2) The Aimed Policies for Development of Sea Transportation

1) Strategic Policies of Sea Transportation

To improve efficiency of operation, revising laws and regulations through the amendment of Law No 21/1992 on international shipping and the ratification of the International Convention on Maritime Lines and Ship Mortgage 1993 is required.

2) Strategic Policies on Port Affairs:

- i) To revise laws and regulations to establish efficient port operations with high competitive strength.
- ii) To enhance the efficiency of port operation through port rating and to perform bench marking with neighbor country ports.
- iii) To develop port infrastructure through ports knots stipulation according to the role and function hierarchy.
- iv) To prepare a port development scheme through the participation of private sector in the development and operation of port business fields.

3) Strategic Policies on Safety:

- i) To increase adequacy and reliability of shipping safety facilities, including navigation, port master affairs and sea and coast guarding.
- ii) To fulfill international regulations including STCW 1995 (International Convention on Standard of Training, Certification and Watch keeping of Seafarers 1995), ISM code and ISPS code.

4) Status of Tanjung Priok Port

Tanjung Priok Port have played the roll of very important infrastructure supporting industrial activities in Western Java area and should function as the status of International Hub Port, and should be properly managed as competent port services among the ASEAN region.

The present conditions of port facilities of the Tanjung Priok port are analyzed to identify the deficiencies from the management aspects, infrastructures arrangement and development strategy to cope with such deficiencies. Subsequently the improvements of the management and operation aspects and infrastructures aspects of the port are studied and described in this chapter.

3.4.2 Analysis on the Port Related Factors Impeding Trade Facilities

Based on the interviews with several shipping and forwarding companies, major factors impeding trade facilities in Indonesia can be itemized and brief descriptions are given below together with the port related matters. Some of them are closely related to the investment climate.

(1) Tariff

Duties and tax is the most obvious barrier to free trade. Free trade, especially in AFTA, will expedite trading activity among relevant countries, which could achieve sustainable economic development for both countries.

(2) Production Cost

Production cost of export goods has been increased due to the hike of labor, electricity cost, fuel cost and material/parts procurement cost.

(3) Logistic Routes by Infrastructures

The traffic congestion and inefficiency in logistic route, such as in port and road, impede reliable distribution of goods in trade. The high logistic cost and time will reduce the competitiveness of Indonesian products in the world market.

1) Time Factor as port related matters

Transit/dwelling time of cargo in the port area is long and unreliable due to inefficiency of shipping operation, cargo handling, customs clearance and land transport management as well as complicated documentation. It reportedly takes over 10 days to clear customs. EDI system is not operated effectively.

2) Cost Factor as port related matters

Almost all kinds of dues and charges in the port are high compared to other major ASEAN ports, such as handling tariff which decide in the negotiation between stevedoring and consignee/-nor, Terminal Handling Charge (THC), customs clearance fee, etc. Unofficial payments are also sometimes required.

(4) Yard Security

There are still some uncertainties. Pilferage in a container terminal is often reported. It is required to monitor the incoming containers to the terminal and outgoing from the port with the registered container numbers by CCTV, or by installing fixed type of X ray scan at the gate of terminals and movable type of X ray scan for checking content of import and export containers at any places as located flexibly by custom offices, since it is observed that the physical checking of containers of export/import containers are carried out at scattered locations from the major terminal of JICT 1 and Koja.

(5) Banking

Banking sector remains fragile, solvency problems as a number of banks continues. The payment of custom charges, port due is made through the bank account which transfers to the respective agencies for notice of income and process of next step. It is reported from the custom offices that

there are number of miss typing of amount to be paid, code number of agents, goods which are verified by the custom offices prior to issuance consignees. This is also one of facts to cause longer time of custom clearance procedure.

(6) Standardization

Failure in catching up with international standardization in the port services, custom procedures container/general cargo terminal operation would be a barrier to trade. (E.g. Export/Import control of automobile at the port has not yet been standardized in Indonesia, which would be some burden to export/import automobiles.)

(7) Trade Promotion Incentive

There is no comprehensive tax holiday system and/or incentive measure to promote trading activity. On the contrary, many local governments have enacted taxes as revenue-raising measures (“retribution”), which acts to discourage trading activity.

Free trade zone or export processing zone has not yet been developed in or adjacent to the port. Such zones are often seen in other Asian ports to attract industry and increase trade competitiveness and generating promotion incentive.

3.4.3 Analysis of Present Conditions of Tanjung Priok Port

(1) Identified Deficiencies of Port Infrastructures and Facilities

1) Deficiencies of Port Facilities

The Tanjung Priok port now functions as the largest trading port in the Western Java area and in Indonesia. However, the present physical arrangement of port facilities is almost the same as it was developed at the time of the Dutch colonial era and the port productivity has been gradually deteriorated compared to major ASEAN ports.

i) Critical Issues

The critical issue now facing the existing Tanjung Priok port are as follows, which are summarized in “being unable to meet the port users’ needs”:

- Lack of speedy and credible cargo transit through the port
- Lack of safe and secure cargo handling
- Lack of available port facilities and space to accommodate the cargo demand
- Lack of fair and transparent dues and charge

ii) Causes of Such Unfavorable Situation

The unfavorable situation of the port operation due to the deficiencies of the present conditions of port facilities is identified as follows:

- a) Limited capacity of ship navigation by the one way traffic of the access channel with shallow depth can not call larger container ships and has caused longer time of berth occupation by ships as shown in the results of the time measurement survey as detailed in the chapter 2.3.3.
- b) Limited capacity of inland transport of the access road between the port and industrial complex areas of the port hinterland has caused heavy traffic congestions in the city roads and port inner roads.
- c) Limited land space of the existing port operational area by disorderly developed land use
- d) Low efficiency/productivity of cargo handling (especially export/import containers) due to capacity constraints of the backup yard area
- e) Institutional defectiveness in trade facilities such as inefficient customs service procedure due to large volume of documents required for different government agents for clearance, inefficient and inflexible terminal operating system, ineffective EDI system etc.

As a result, the port productivity will be gradually deteriorated without any improvement of the port facilities and operation efficiency. The Tanjung Priok port handled containers around 2.68 million TEU in 2002, the container handling capacity of the port under the present arrangement of the port facilities is estimated around 2.8 million TEU.

2) Comparison of Port Productivity and Operation with the Case of Thailand and Malaysia Ports

i) Port Productivity

While major neighbor ASEAN ports like the Laem Chabang port in Thailand handled 2.66 million TEU in 2002 and plans to expand the container berth of 1,800 m to handle 3.4 million TEU containers additionally as phase 2 project started from 2000 (in total around 6.0 million TEU to handle).

The Port Klang in Malaysia handled 3.84 million TEU in 2003 and plans to expand the west port located in the Pulau Inda toward the Malaka Strait for 6 additional berths of 2,000 m to handle 3.0 million TEU.

Considering the aggressive future development programs of major ports in neighbor ASEAN countries, no improvement of Tanjung Priok port facilities will let the port's function paralyzed in near future, and which will surely depress the investment climate especially for foreign investors. As a result, global companies will likely withdraw from this area and Indonesian products will lose competitiveness in the international market, especially in the ASEAN market.

ii) Port Operation and Services

The port activities, facilities, efficiency of cargo handling operation and services, status of introduction of EDI system, security complying to ISPS code by IMO, supporting facilities of export and import trade facilitation and future development plans of Tanjung Priok Port of Indonesia, Laem Chabang Port and Bangkok Port in Thailand and North port and West Port of the Port Klang in Malaysia are compared and shown in the Table 3.4.6.

This table is prepared for the reference to set the performance index and development target of the Tanjung Priok port by the government agencies concerned.

From the table it is clear that the container berth length of the Tanjung Priok port and container handling efficiency is lesser than the other two ports. These ports have advantages by having the further development areas in adjacent to the existing port facilities, therefore they have already started to set a target for further development of necessary infrastructures to face competitive market ground in the region with the minimum social environmental issues and reasonable budgets for such development.

The Tanjung Priok port has also started to develop additional container terminal facilities in the Bojonegara as supplemental port to the Tanjung Priok Port, it is considered important to set target of operation and efficiency of port services and to provide the reasonable competitiveness in the ASEAN region and the port shall equip with internationally standardized trade facilities.

The view of Westport of Port Klang in Malaysia is shown in Fig 3.4.1 and the Laem Chabang Port in Thailand in Fig 3.4.2 below.

Fig. 3.4.1 Port Klang (Westport, Northport) Malaysia



West Port Container Terminal of Port Klang Malaysia



General Layout Plan of North port of Port Klang Malaysia

Fig. 3.4.2 Laem Chabang Port in Thailand



Container Berth No B-1 to C-3 at the Laem Chabang Port in Thailand

(2) Analysis of Infrastructure and Facilities

1) Port Facilities

According to the port affair regulation (PP69, 2001)

- The central government (DGSC) will assist the IPC2 to develop the access navigational channel, basin to the port and breakwater required for public port services.
- IPC2 –Tanjung Priok Port Branch Office will develop and rehabilitate the berthing facilities, yards facilities and port related inner roads by the own budget.

IPC 2 has planned to renovate the existing wharf area as follows:

- To demolish some sheds of low utilization ratio, like No. 201, 202 and 301 into open storage yard for smooth cargo movement and container storage area.

- To develop container berths by renovating the existing bulk cargo berths of No 115/105 and 214/300 area.

The existing port facilities under the present conditions cannot accommodate future export/import cargo demand required by the hinterland development.

Improvement and/or development of port facilities, particularly the following facilities and port related inner road are urgently required.

i) Automobile Terminal Development

In case the export/import trade of automobiles among the ASEAN region is expanded under the AFTA, the Tanjung Priok port requires the exclusive automobiles terminal as the public berthing facility.

At present there is no exclusive automobile terminal, the car storage area of 14,000 sq.m in front of berth no.208 is arranged from IPC2 for storing about 1,000 cars. The security facility of the car storage area is poor, in which fence to enclose the yard is damaged, lighting facilities are broken and pavement of roads and yards are damaged.

The present export and import automobile traffic volume is as follows:

Table 3.4.2 Export and Import Volume of Automobile through Tanjung Priok Port

| Makers | Export | Import | Remarks |
|-------------|---------------------|--------------------|-----------------------------------|
| Car maker A | 1,000 units / month | 100 units / month | Export to/ import from Thailand |
| Car maker B | 700 units / month | 700 units / month | |
| Car makers | 500 units / month | 200 units / months | Export to Thailand and Philippine |

Source: JICA Study team

It is forecast in next few years that the export and import volume of cars will increase with the growth rate of 20 % per year.

At present two Japanese shipping lines transport cars with Pure Car Carriers (PCC) and call 2 times a week. Each time of ship call the port office inform the cargo berth to berth to the shipping agent. The agent arrange necessary transport routes and truck heads to carry necessary number of exporting cars to the specified yard around 24 hours before ships is coming to the berth. Subsequently the agent also arranges the security measures for storage of export and import cars.

This provision of port facilities is considered temporary arrangement of export /import cars business and insufficient for practical export/import automobile trade.

The exclusive automobile terminal with proper area with adequate space of storage and security facility and access road connecting to the toll way shall be required and developed.

ii) Port Related Road Improvement

The existing inner port roads shall be widened. The direct connection between the inner port road and surrounding road of port shall be developed by flyover to avoid the congestion with city traffic buses and port related traffic. The truck parking area of export/import containers and bulk cargo along with the roads shall be planned.

iii) Navigational Channel, Basin and Breakwater

The existing access channel inside the port shall be widened by relocation of the existing breakwater alignment to make two ways traffic. The depth of channel and turning basin inside the port shall be deepened to reinforce the port capacity of ship calls and cargo handling volume.

Main turning basins cannot help being located on the main transit route and it is impossible to secure two way transits in any water area in the port. The port cannot cope with the future increase in ship calls under this situation especially for liner services would be very hard to manage due to serious congestion in the port. Even liner vessels would be forced to wait for a berth reducing the productivity of the port as a whole.

It is necessary to relocate the breakwater and to expand water area for safe, smooth and efficient shipping operation.

One gate operation in the port are *dead ends*, it is urgently required to ensure at least two gates operation.

iv) Conventional Wharf

There are some conventional wharfs in which domestic and export/import cargo are mixed in handling shall be separated for domestic cargo and foreign trade terminal respectively from the points of efficient security and smooth cargo movement and effective custom clearance procedure.

There is custom office in each yard and warehouse of the conventional terminals to monitor the export/import cargo and domestic cargo movement. At the gate of the yard and warehouse custom officer is assigned to check the customs clearance of cargo whether foreign and domestic.

The conventional cargo wharfs shall be integrated by the commodities basis of foreign trade and domestic for the following advantages,

- to improve the cargo handling efficiency,
- for proper security checking,
- minimizing traffic congestion with container trailers and general, bulk cargo trucks inside the port roads area
- to shorten the time of custom clearance procedures

2) Implementation of the Urgent Rehabilitation Projects of Tanjung Priok Port

i) Necessity of Urgent Rehabilitation Projects

In order to alleviate the severe economic situation and to achieve sustainable economic growth, the most important task is to establish an effective cargo distribution system for reliable transportation services and the following measures are urgently required.

- To increase and maximize the capacity/productivity of the existing port facilities
- To promote existing trade capacity as well as new industrial investment by achieving the best use of the existing facilities and providing good services

Directorate General of Sea Communications (DGSC) together with the Indonesia Port Corporation 2 (IPC 2), which is responsible for the development of main ports located in the West Java area, has been examining the feasibility of increasing cargo (including container) handling capacity by development of the port basic infrastructures of the Tanjung Priok port, since it is obvious that the cargo demands will exceed the present handling capacity of Tanjung Priok port in a few years.

The Urgent Rehabilitation Projects of Tanjung Priok Port are proposed to solve the causes of unfavorable situation of the port which is one of the main components of the master plan formulated by a JICA Study for the Development of Greater Jakarta Metropolitan Ports in 2002/2003. The study was completed in October 2003 including the feasibility study for the proposed project and development of the second port as supplement to the Tanjung Priok Port.

Considering the situation of Tanjung Priok Port and urgency of necessary development of port facilities, Ministry of Communications (MOC) of the Government of Indonesia requested the Government of Japan (GOJ) to provide ODA loan in the amount of 120 Million US\$ for the implementation of the Urgent Rehabilitation Project of Tanjung Priok Port in 2003. Subsequently the loan agreement was made between two governments in March 2004.

ii) Components of the Project

The propose Urgent Rehabilitation Project of Tanjung Priok Port consists of the following components:

a) Construction of Port Facilities

Demolition of the existing breakwater and construction of a new breakwater in order to make two way traffic of ship call to the port and increasing the present port capacity.

b) Improvement of Navigation Channel

Widening and deepening of the existing access channel and the central turning basin inside port
Installation of Navigation Aids

c) Construction of Port Related Road

Construction of road widening inside the port and Construction of viaduct flyover from the road inside port to Jl. Engano

d) Development of Existing Custom Office Building Area of JICT 1 Area

Relocation of the existing custom office building and related road improvement around custom office building and container terminal gate of JICT 1

e) Consulting Services

Detailed Design Study and Construction supervisory service

3) Progress of Development of Second Port Concept

The above JICA Study had demonstrated the necessity of development of second port to assist the function of the Tanjung Priok Port, especially handling import/export container cargo.

Accordingly the JICA Study had recommended to develop a supplemental port to the Tanjung Priok Port. Indonesian Port Corporation 2 (IPC 2) has been examining the feasibility of development of port facilities as second port to cope with the increase of cargo handling capacity (including container), since the container cargo demands forecast to exceed the present handling capacity of Tanjung Priok port in a few years.

Subsequently IPC 2 has started the berth construction and reclamation works for development of back up area to develop container yard along the planned long term development plan of JICA study.

The construction cost is about 84 billion Rp which is arranged by their own budget and works started from December 2003 at the site of Bojonegara, Banten Province Western Jawa, where is about 100 km west from the Tanjung Priok Port.

IPC 2 has started construction works of the berth. The scope of Works is as follows:

- Deck on pile structures type, 102 m long x 40.8 m width in the depth of -16 m for large container ship
- Dredging works in front of the berth and
- 2 lines access road of 400 m length from the land where the land acquisition was completed.

The starting construction works at the Bojonegara new port is shown in the photos below.

Fig 3.4.3: New Port Construction at Bojonegara by IPC 2



Beginning of Construction Works of Dredging by Grab Dredger (8 and 14 m³) and Barge (800 m³ Hopper Capacity), Stock of Berth Foundation Steel Pipe Piles (Φ 700 mm and Φ 600 mm)



The Entrance gate of Bojonegara New Port

Based on the requests from IPC 2 and recommendation by “JICA Study for Development of Greater Jakarta Metropolitan Ports” in July 2004 DGSC took necessary action to designate the Bojonegara New Port to be an International Strategic Trade Port.

DGSC started the required procedures and process with Ministry of Communications and to authorize the development of the Bojonegara New Port in the concept of a twin port development of Tanjung Priok Port as the official government project.

The planning of the second port development was started by DGSC as the government responsible executing agency and IPC 2.

- 4) Development of Inland Container Depot (ICD) and Free Commercial Zone around Port Area
 - i) Case of Inland Container Depot (ICD) for Laem Chabang Port of Thailand

In the case of the Laem Chabang Port of Thailand in which the ICD of 1.0 million sqm are developed at the Lard krabang area about 100km north from Laem Chabang port and east from the Industry parks surrounding the Bangkok city.

The land of ICD is owned by State Railway of Thailand (SRT) who leases such land to the 6 shipping companies to develop and operate ICD for the Laem Chabang Port, the necessary custom clearance procedure of export/import containers are conducted here by the custom office of Thailand. The Lard krabang site used for ICD of the Laem Chabang Port is shown in the Figures below.

Fig 3.4.4 Lard Krabang Inland Container Depot for Laem Chabang Port



Import/export Containers are transported by State Railway of Thailand between the ICD and Laem Chabang Port.

ii) Case of Free Commercial Zone in Port Klang Malaysia;

The Ministry of Finance of the Central government of Malaysia established the Free Commercial Zone around the port area in 1990. The PKA is under the Ministry of Transportation, who designated PKA as the Free Zone Authority (FZA) and designated FZA in each port area such as, North port in April 1993, West Port in June 1996, South port in January 2004.

All operation in the terminals of the Port Klang is considered to be operated inside the free commercial zone (FCZ). So that the custom control is minimized. According to the Custom Act 1967, the Excise Act 1976 and Sale Tax Act 1972 are not applicable to the operation within the FCZ, and under the FCZ act 1990, the free zone is deemed to be a place outside Malaysia in order to encourage commercial activities, investment, trading, banking, grading and port activities of import and export cargo activities. As a result of such reform of regulation the traffic volume through the ports in 2003 has increased 100% from those in 1993.

Transshipment cargo does not require the custom clearance procedure and within the free commercial zone the traffic and cargo movement is smooth. The benefits by establishment of FCZ are as follows:

- Lower cost (cash flow)
- Less restriction of transshipment to re-export
- Simple documentation of procedures on line transshipment

- Storage, consolidation, regional distribution and value adding to import cargo get simple, (previously import cargo must be reported to the custom office within 7 days, but now it is free to store cargo in the FCZ and distribute depending on the market demands)

iii) Development Concept of ICD in the Hinterland of the Port

Free trade zone or export processing zone has not yet been developed in or adjacent to the Tanjung Priok Port. Such zones are often seen in other Asian ports to attract industry /investment and encourage trade competitiveness among the ASEAN region.

a) Present Conditions of ICD Around the Port

The existing inland container depots (ICD) in the hinterland of the Tanjung Priok Port have small bonded area with the custom branch office inside of the ICD.

These ICD which are located scattered around the port has been used for the temporary storage of import and export containers from the container yards of JICT and Koja and others terminals in the port in order to acquire the yard space for stocking the incoming containers. These lands are owned by the truck companies, forwarding companies and others and were converted to the container storage areas. It is observed that the facilities are poor and not adequate facilities to support the containerized logistic transport system.

b) Custom Clearance Procedure in ICD

The necessary custom clearance documentation of export/import cargo can be done by cargo owner through the custom branch office in the ICD.

These custom offices in ICD operate independently. The custom office of each ICD and the central office in the port are not connected by on line system for interchange of data and information.

As a result, the approved documents by each custom office in the ICD are delivered and submitted again to the central custom office in the port by shipping agents / forwarders.

This is duplication of documents submission and time consuming manner. In order to improve custom clearance services the custom offices in the ICD and the port should be integrated its process and procedure and connected by on line system through introduction of EDI or internet connection.

c) Present Truck Transportation of Containers between the Port and Industry Complex

The present truck transportation can make only one trip per one day between the factory and port because of heavy traffic congestion on the roads through Metropolitan Jakarta and surrounding roads of the port and longer waiting time of queue to enter the yards in the port.

By having the ICD between the port and industrial estates and introducing two separate truck

shuttle service system between the factory and ICD, and from the ICD to the port, the time of cargo transport can be substantially reduced and rationalized the frequency of transportation

(3) Management and Operation of the Port

1) Present Operators of Conventional Terminal

As to the conventional cargo handling, 14 operators are operating exclusively with designated berths. The conventional terminal operation at Tanjung Priok port is conducted by PT. MTI, 14 terminal operators and other stevedoring companies as shown in Figure 2.2.1. The 14 terminal operators are listed in the Table 2.2.13.

According to the time measurement survey, around 90% of ships calling the port take around 60 minutes from the anchorage area to the berth, which is in average the time of the target time as set by IPC 2.

Berth productivity in terms of throughput per unit length of quay wall of container cargo is in general, annually 350,000 TEU per 300 m long of berth. The container through the conventional terminal has been handled around 261,000 TEU per 500m long in 2002 due to the shortage of cargo handling equipment by the operators. The berth occupancy rate of the conventional berth has reached in average 50-60% in 2002, while IPC 2 sets the target of 70%.

This figure seems to show the inefficiency of terminal operation from ship operators' viewpoint and as a result it is caused to incur higher cost to users.

2) Fixed Berths Operation System

The conventional terminals of the Tanjung Priok Port are able to be used only by the stevedoring company who make annual lease contract with IPC 2 for cargo operation on the contracted wharf. The ship line company contracts the specified stevedoring company for cargo handling operation.

The incoming ship can berth for cargo operation along the berth only in which the stevedoring company contracted under the "Fixed berths assigned to each operator system". Otherwise the ship must wait for berthing till the berth assigned to the stevedoring company is got cleared.

Therefore the cargo operation efficiency, particularly in the conventional terminals is low and the berth waiting time of ship is got longer, which was proofed by the findings of the Survey on Time Required for Processing Import and Export Cargo as detailed in the Chapter 2.3.3.

3) Management of the Port Operation and Services

i) Achievement of Efficient Customs Clearance

a) Time Required for Custom Clearance

Transit/dwelling time of cargo in the port area is long and unreliable due to inefficiency of shipping operation, cargo handling, customs clearance and land transport management as well as

complicated documentation.

It was reported from the Survey that around 46.4% of the import cargo took over around 6 days and 53.6% is 8 days, in average 5.5 days to clear customs.

According to the statistic data of MLIT (Ministry of Land, Infrastructures and Transport of Japan) 2003, the case of Japan takes 3 days for customs clearance and Singapore takes 1 day.

b) Arbitrarily Developed Government Agency Office Buildings and Complicated Custom Procedures

The port related government offices seem to be arbitrarily located in the port area. In particular, there are three Customs Offices at respective administrative areas, therefore shipping agents and consignees have to submit documents to different offices for customs clearance in the same port.

To streamline procedures, it is necessary to integrate three custom offices at one location in order to achieve a single window procedure, and the efficient customs clearance procedure should be implemented in accordance with international standards.

ii) Activating Promotion of the Port

IPC-2 had not taken activating activities with holding meetings for the following purposes among the others with related parties and users such as shipping companies, shippers, consignees and potential users

- To exchange necessary information and viewpoints
- To obtain precise information on the shipping market
- To grasp the needs of users
- To clarify the sales points of the port
- To reinforce port sales promotion activity to potential users.

IPC 2 have developed port infrastructures and facilities within the port administrative area without coordinating with regional development plans, especially to provide smooth custom clearance and port access facilities so that the traffic congestion around the port area will be minimized and trade facilitation process will be encouraged.

iii) Establishment of Effective Training System of IPC 2

IPC 2 had developed good training system for port workers/gangs for improvement of cargo handling efficiency. But it has been reported that proper planning of containers in the yard and ships for loading/unloading are required since some cargo owners had lost their containers in the port by handling containers to wrong positions and transferred to the other yards in the port.

IPC 2 and port operators should jointly activate of introducing Quality Control (QC) circle and

maximum use of the function of the available Port Training Center (PTC)

iv) Proper Maintenance and Rehabilitation of Port Facilities and Equipment by IPC2

The following defects in the port facilities, particularly in the conventional terminal area are observed. IPS 2 should continue proper maintenance and rehabilitation of defected port facilities.

- Some general cargo wharf are used for import/export automobile. It is observed that the clearance between the high water level and the top elevation of these wharf is not enough to place the ship ramp of larger cargo ships, particularly 50,000 DWT class pure car carriers (PCC) on the wharf safely and to form allowable slop with ramp.

It is considered that the wharf had been gradually sunken by the settlement of the ground. The placement of ship lamp is waited till the acceptable level of tide, which cause additional time of berthing and longer time of loading/unloading operation safely.

- The basins between the piers are narrow, which cause longer time of berthing and de berthing for the large ships to use berths along these piers.
- The width of apron between the face line of wharf and shed is narrow; some of the unused sheds and warehouse along the cargo wharf should be demolished and used for open storage area of truck parking area, car pool area for loading and unloading.

(4) Management and Operation of International Container Terminals

1) Observations of Container Terminal Operation in Tanjung Priok Port

i) Terminal Prices

Terminal prices as described in the chapter 2.2. are fixed at higher level compared with other terminals of major ports of ASEAN region by IPC-2 even though each terminal has a different operator and different productivity levels. Price should be set in a competitive manner according to the operational skill and cost.

ii) Monopolized Container Operation Services

JICT and Koja are currently enjoying what can be called a monopoly of container operation service in the Jakarta Metropolitan region. Under present terminal market situation, it is hard for JICT/Koja to find any reason to reduce terminal tariff rates.

However, it is not merely a matter of the west Java economy, but of the whole country. Indonesia is facing fierce competition in attracting foreign investors in manufacturing industry such as automobiles and motor cycles with countries such as Vietnam, the Philippines and Thailand.

iii) Optimum Staffing Arrangement of Container Terminal Operation

Current JICT and Koja seem to be overstaffed in comparison with other terminals with similar

throughput. This situation was caused by the transition agreement involving IPC-2 employees at the establishment of JICT and Koja. To avoid a possible labor dispute and loss of jobs for the former IPC-2 employee, IPC-2 might have been forced to take such measures of secondment. As result, all laborers and staffs are guaranteed employees and it is said to be legally difficult to fire them.

It is not easy to compare the manning scales of cargo handling operation of different ports but it is possible to grasp prevailing tendencies. World trends in the container terminal operation can be summarized as follows:

Table 3.4.3 World Trends of Manning Scale of Container Handling Equipment

| Equipment | Number of Manning scale |
|---------------|---|
| Gantry Crane: | 2 drivers/1 unit |
| RTG | 1.5 RTG/1 Gantry |
| Tractor Head | 3 units (3 drivers per Gantry) are standard, but 4-5 units are deployed when needed to expedite operation. An increase in operational efficiency of about 15% is expected by adding 2 units, 10% by 1 unit. |
| Lasher | 6 men for a smaller ship (2 Gantries can not be fully deployed.) 8 men for a larger ship (2 or more Gantries can be deployed.) |

Source: JICA Study team

In some advanced ports, R&D on automated operation of container equipment such as gantry crane, RTG is being promoted. New innovations will eventually further decrease the manning scale.

The number of staffs per gantry crane is compared between the world standard and the case of JICT/Koja container terminals and shown in the table below.

Table 3.4.4 Comparison of World Standard and Case of JICT/Koja CT

| | World Standard | JICT/Koja |
|-----------------|----------------|-----------|
| One Gantry: | 15 men | 30 men |
| Two Gantries: | 30 men | 60 men |
| Three Gantries: | 45 men | 90 men |

Source: JICA Study for Development of Greater Jakarta Metropolitan Ports

For both JICT and Koja, the standard size of one gang per gantry crane per shift is almost double that of the world standard. The difference gets larger as the number of gantry cranes deployed increases.

As long as labor costs in Indonesia are far less than the international standard, this situation might

be tolerable. But from the long term managerial view point, it is important to enjoy a surge in its container volume when it cut its handling charge by 30%.

2) Dissatisfaction with Quality of Terminal Services

Interviews revealed a high level of dissatisfaction with quality of terminal services of JICT and Koja among shipping lines and shippers/consignees. Main points rose by shipping lines and shippers/consignees are listed below.

Table 3.4.5 Summary of Improvement Requests from JICT/Koja Container Terminal Users

| Item | Dissatisfied Party | Complaint |
|-----------------------|--|---|
| Equipment maintenance | Shipping lines / Agents | Due to mal-function of gantry crane and shortage of spare parts, longer time required for repairs, schedule of ships at port and container loading/unloading is delayed |
| Gantry production | Shipping lines / Agent | Low production of GC due to shortage of chasses trucks to transport containers to the yard, which increases the amount of time for ship at port. |
| Pilferage in yard | Shipping lines / Agents Shippers / Consignees | Rampant pilferage of content from container occurs. |
| High charge level | Shipping lines / Agents Shippers / Consignees | Compared with other major terminals, too high and raised one-sidedly. Actual charge level quoted in US dollars is felt to be the highest in the world. |
| Ship's waiting time | Shipping lines / Agents | More than two hours waiting is not rare under the window system. |
| Miss-operation | Shipping lines / Agents | Due to careless container planning and computer error, containers were placed in the unscheduled location and exceeding capacity of ship loaded and unloaded. |

Source; JICA Study team

(5) Analysis of Utilization of Existing EDI System of IPC 2

1) Case of EDI of IPC 2

EDI system expedites documentation procedures in ports business and services including customs clearance. EDI system has already been established in Tanjung Priok port. However, it is not fully utilized and optimized yet and the custom office in the port still receives the declaration form from the consignees partially by hard copy for the process.

RKSP (Arrival Notice of Vessel) is delivered through EDI system 100% and Request of Port Service notice is not fully utilized and optimized yet. Because some importers who do not register to the custom office to obtain code number of business license apply the custom declaration by hard copy instead of through EDI.

At present for ship and cargo through the port about 18 different kinds of documents are required

to submit, which are circulated and distributed among 10 different document users including 5 governmental agents, banks, terminal operators from the source of shipping agents, forwarding companies, ADPEL and IPC 2. The documents distribution and circulation for approval of clearance from concerned agencies are required lengthy times.

In order to minimize number of duplication of same documents and time consuming of distribution and circulation from one to the other agencies, the process shall be rationalized and shortened the time of checking documents.

It seems that the level of knowledge and experience of IPC2 staff pertaining to EDI is not sufficient to develop and operate EDI by themselves.

It is reported from some port users that since introduction of EDI the number of physical checking of import cargo by custom office has increased to 20-30% of the total import cargo volume compared from the prior to the EDI introduction at 10-15% of import cargo volume. The cost to importers has increased due to charges by using EDI system and additional checking fee of physical checking by custom office.

2) Case of Use of EDI by Exporter of Fishery Products

The Bonecom factory located inside the Jakarta fishery port at the Muara Baru in the north of Metropolitan Jakarta had operated import/export of fishery goods since 1985 and had applied to the Ministry of Industry and Trade to be the bonded area for import and export of fishery related business and is now designated for no tax payment of import and export.

The company arranged the domestic transport to deliver the export cargo from the bonded factory to the inland depot owned by the contracted shipping agents. The company pays to the shipping agents only freight cost, and to terminal operator (JICT 1) only handling charges of export cargo from ICD to container terminal inside the port.

i) Comments on Utilization of EDI of the Custom Office

The company adopted EDI system by on line system of custom procedure through the provider of PPJK. The company registered to DGBS (Custom and exercise) office to get licensed code number of export and import business.

The EDI on line system is interconnected with related business of export and import such as Custom office, Financial Dept, Bank, Companies of import and export business. The company pays the custom due through the two methods; - Deposit some amount in the bank to withdraw at each export case, - pay in cash by each export case.

The EDI introduced by DGBC in 2002/2003 is operated by soft ware developed by foreign country from 2004 May. The usage of EDI system of DGBS requires the royalty of software; as a result the cost of usage of EDI is higher and expensive. The company contracts the provider of PPJK to connect EDI of DGSC for custom process and pay the subscription fee to them at each

usage.

The company considers the introduction of EDI is very good, because of quick processing and less documentation to minimize the time of getting the custom clearance, in stead of visiting 18 windows of custom office in the port at each export. But it is more important to socialize the system of EDI and stimulate operation know how to users.

ii) Comments on Impediments for Modernized Trades through EDI

Today the most significant impediments for introduction of EDI are lack of human resources and the lack of knowledge of modernized new technology for trade facilities. The government offices like custom offices are still used for typical traditional machineries to typing the slips and computer software for procedure and process.

In the modernized trade facilities there will be more government agencies, institutions, and companies to be involved. It will be convenient to use EDI system for reducing time of smooth documents process and accurate input data required by the concerned agencies.

3) Case of Port Klang in Malaysia

They (PKA) had introduced the EDI system called Port Klang Community Services (PKCS) for exclusive Port Klang services for trade facilities with paperless custom procedure. The diagram indicating the linkage with port related institutions and port users through the PKCS is shown below.

The custom had established their own EDI system called Custom Information System (CIS) far in advanced from the PKA case to cover the nation wide custom services and connecting to PKCS. The Custom office had exchange the MOU (Memorandum of Understanding) for exchanging custom information and harmonizing tariff among APEC countries in May 2004 with Pakistan, Korea.

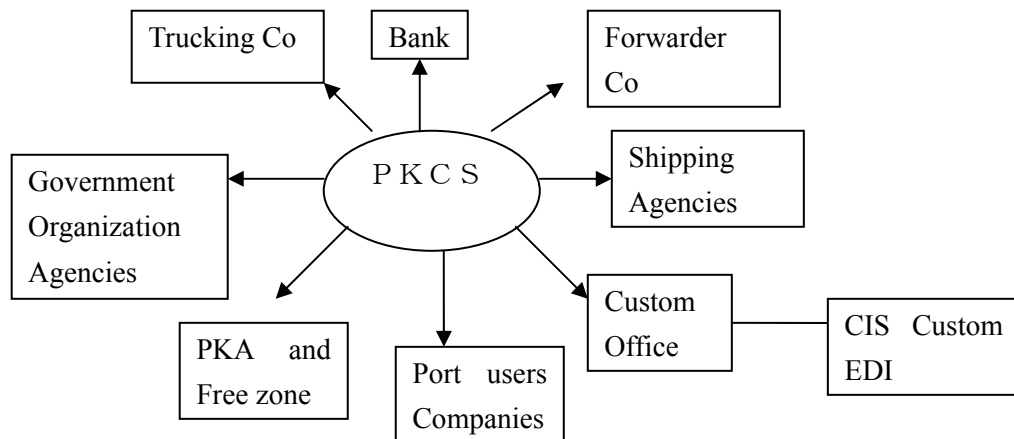


Fig 3.4.5 Diagram of EDI system of PKA and Custom

(6) Present Conditions of Port Security

1) Yard Security of the Port

The Directorate General of Customs and Excise, Ministry of Finance established 1 unit of the X ray scan inside the container terminal yard area of JICT 2 and 2 units of the X ray scan in JICT 1 for custom checking procure of the import cargo under the red lamp inspection required. There is no X ray scan in Koja terminal. There is no X ray equipment in the conventional berths area. There are two units of the X ray checking scan at the passenger terminal

General custom checking is conducted at the storage yard and open yard by opening container doors in the present of cargo owners or representative agency and responsible custom officers.

The custom officer does not hold a metal detector for security checking in the cargo, but port policy has. The X ray testing facilities at JICT 1 is shown in the following photos.

Fig. 3.4.6 X ray checking facility of Custom office at JICT 1



X ray checking the contents of container



Entrance Gate of X ray Test Facility at JICT



Content of Container on X ray Monitoring Screen

Container Checking Through X ray Booth

JICT 1 started to seal up the exit container at the exit gate of JICT 1 for ensure the security of imported containers and preventing the pilferage inside the yards.

Fig 3.4.7 Sealing Container at the Exit Gate of JICT 1



Attachment of Sealed Sheet on Container at Gate after Custom Checking at JICT 1



Checking Seal Number and Lock of Container by Custom Officer at JICT 1 Gate



2) Port Security

In case the port security level is set by the DGSC and MOC as the security level 3 according to the ISPS international standard code, the port must comply to have the necessary equipment and facilities at all berths and port areas together with the following arrangement.

- i) To set up a security committee composed of related organizations in order to prevent such incident as pilferage in the port. The committee will meet regularly to discuss problems reported from related offices as well as port users, measures and recommendations to improve the situation.
- ii) To introduce sufficient hardware for port security such as fence and CCTV, which should be monitored from a central office of the Port, together with a constant surveillance system in actual site.
- iii) IPC 2 shall provide the following facilities at the Tanjung Priok port as the International Hub port to comply the ISPS code upon the approval by the DGSC, MOC of Government of Indonesia,
 - a) X ray checking containers,
 - b) GPS,
 - c) CCTV is installed at gates, cargo yards, port control center and wharf areas to monitor the cargo including container traffic movement.
 - d) The security plan of the terminal operators is prepared by the respective terminal operator and submitted to the DGSC of Ministry of Communications through IPC 2.

3) Ship Safety

“International Convention on Maritime Search and Rescue (SAR Convention) 1979” which become effective since 1985, recommends a contracting Government to establish a ship reporting system for application within its search and rescue region for which it is responsible, where this is considered necessary to facilitate search and rescue operations and is deemed practicable.

In Asia-Pacific region, many systems have been established and operated, such as AMVER(Unired States), JASREP(Japan), STRAITREP(The Strait of Malacca and Singapore) and these have greatly contributed to maritime safety, especially in the sea areas of less rescue forces.

Considering that Indonesia, as a large maritime state in the world, has a vital responsibility for ensuring maritime safety and protecting marine environment, generating international trade security, Indonesia Ship Reporting System have not been planned and implemented yet to obtain the reliable maritime safety according to the agreement of the international convention.

On this aspect JICA conducted “The Study for The Maritime Traffic Safety System Development Plan in the Republic of Indonesia” in June 2002 and recommended the following subject regarding the ensuring the maritime safety for ships traffic within the Indonesian territories among the others:

- i) Indonesia Ship reporting systems which are used to provide data not only for search and rescue but also for preventing marine pollution, countermeasures against crimes at sea, etc shall be worked out to be practical manner of report and identifying the reporting area by coordinating with neighbor countries .
- ii) This system is to introduce Automatic Identification System (AIS), by using VHF in order to adopt an automatic positioning detecting system.

Table3.4.3.1 Port Activities and Service facilities of Tanjung Priok Port, Laem Chabang Port and Port Klang

| | | Indonesia | Thailand | | Malaysia | |
|------------------------------|---------------------------|--|----------------------------------|-----------------------------|------------------------|--------------------------|
| | | Tanjung Priok Port (year 2002) | Laem Chabang Port (year 2002) | Bangkok port (year 2002) | Port Klang (2003) | West port |
| 1. Traffic Volume | | | | | | |
| 1.1 | Containers (TEU) | 2,684,000 | 2,656,949 | 1,110,561 | 2,540,465 | 2,300,770 |
| | Import | 1,244,000 | 1,317,910 | 516,690 | 1,301,674 | 1,166,262 |
| | Export | 1,439,000 | 1,339,039 | 593,871 | 1,283,791 | 1,134,508 |
| | Domestic | 261,000 | | | | |
| 1.2 | Cargo Volume (ton) | 37,818,000 | 1,351,738 | 1,903,760 | 5,100,000 | 6,460,000 |
| | Import | 19,864,000 | 93,148 | 1,789,507 | | |
| | Export | 17,954,000 | 1,258,590 | 114,253 | | |
| 1.3 | Liquid Bulk (ton) | 8,462,246 | | | 2,296,241 | 3,302,916 |
| 1.4 | Passengers | 1,433,011 | 221,792 | | 228,544 | |
| 2. Ship call (units) | | | | | | |
| | | 17,068 | 5,672 | 2,519 | 8,084 | 7,826 |
| | | 89,284,000 GRT | | | | |
| 3. Port Facility | | | | | | |
| 3.1 Berth Length | | | | | | |
| | Container Terminal | 2,087 m | 2,100 m | East Quay: 1,320 m | 2,711 m | 2,000 m |
| | General Cargo | 7,737 m | 1,600m | West Quay: 1,545 m | 1,358 m | 600 m |
| | Private, | 773 m | | | | |
| | Passenger Terminal | 250 m | 400 m | 115 m | 43 m | 660 m |
| 3.2 Storage Area | | | | | | |
| | Open yard (sq.m) | for general cargo: 381,702 for container: 230,297 | | | 77,236 | 95,942 |
| | Container yard (sq.m) | 1,411,479 | 629,200 | 148,200 | 91.6 ha | 90 ha |
| | Ware house (sq.m) | 45 units :185,228 | 3,240 | | 47,000 | 18,198 |
| | Bonded warehouses | | | 9,554 | | |
| | Dangerous Cargo warehouse | | | 967 | | |
| | CFS (sq.m) | 7 units: 17,737 sq.m in general cargo berths | 16,160 | | 43,692 | 132,000 |
| | Transit Sheds (sq.m) | | | 231,975 | 11,803 | 9,360 |
| 3.3 Depth along Berth | | | | | | |
| | Container berth | -8.5 m to -12 m and -14 m | -14 m | -8.2 m | -11m to -15m | -11 m to -15 m |
| | General Cargo berth | -4 m to -12 m | -14 m | -8.2 m | -9 m to -12 m | -11 m to -15 m |
| | Private Berth | -8.5 m to -12 m | | | | |
| | Bulk Cargo Berth | - 8.5 m to -12 m | -14 m | - 8.2 m | - 10 m to - 11.5 m | - 11 m to -15 m |
| | Passenger Berth | -8.0 m | - 14 m | - 8.2 m | - 2.2 m | - 11.5 m |
| 3.4 | Depth of channel | -10 m to -14 m | -14 m | -8.5 m to -10.72 m | - 15 m with 2 m at HWL | -15 m from Malaka strait |

Table 3.4.6 Port Activities and Service Facilities of Tanjung Priok Port, Laem Chabang and Port Klang

Table 3.4.6 Continue

| | | | | |
|--------------------------------|---|--|--|---|
| 3.5 Inland Container Depot | Operate by private companies. inside and around the port in total 28 ha. Only storage of containers, no custom service provided. | At Lard Krabang area; 227,000 sqm Custom service is provided. Shipping company operate ICD. Railway area; 1134 sq.m | There is Special Export Zone situated behind Transit Shed No.6 for store FCL & LCI containers to stay up to 30 days. | PKA plans to develop the Pulau Indah Free Zone behind the Westport to make a regional ASEAN distribution center as well as a trade and logistic center. The project is comprising manufacturing activities, light industries facilities, as a self-contained development. All the support services required are readily available within the area with minimal bureaucratic requirements including customs formalities and other rules and regulation |
| 4. Cargo handling Equipment | | | | |
| 4.1 Containers Quay Cranes | | | | |
| Container Terminals | 24 units | 15 units for 5 terminals | 14 units for 2 container terminals | 24 units |
| Cont Handling Speed | 20-23 TEU / hr | | 31 TEU / hr | 33 TEU /hr |
| Convention Berth | 2 units | No | | |
| 4.2 General cargo | | | For two quays (west and east) | |
| Fork lift | 71 units | | 200 units | |
| Mobil crane | 6 units | | 45 units | 2 units |
| 5. Number of Private operators | | | | |
| 5.1 Container Terminal | 3 private operators | 5 private terminal operators | The port's Stevedores and private forwarders handle import & export containers | 1 private terminal operator for Northport and other for Westport separately operate, manage and maintain all the facilities including the maintenance dredging around the berths and channel. PKA has not operated the port after privatization from 1992. |
| 5.2 Conventional cargo | 14 private operators | 6 private operators | By Bangkok port as port operator for importing and exporting cargo. | |
| 6. Terminal Handling Charges | | | | |
| | us\$ 150 / 20 feet container | | us\$ 104/20 feet container | us\$ 90/20 feet container |
| | us\$ 230 /40 feet container | | us\$ 156/40 feet container | us\$ 135 /40 feet container |
| 7. Other Facilities | | | | |
| 7.1 EDI system | IPC 2 introduced EDI system and used partially. The container terminal operators did not introduce the EDI connecting to IPC 2 and custom offices. | PAT at Laem Chabang has not yet introduced EDI system for custom procedures and process. | PAT opened one stop services for paying charges and fees at the Bangkok port. EDI system is reluctantly introduced., but E-payment system of port tariff and charges was introduced at both ports. | PKA had already introduced the EDI system called "Port Klang Community Services"(PKCS) for exclusive Port Klang services for trade facilitation with paperless custom procedures. The custom office had established their own EDI system called "Custom Information System" cover the nationwide and connecting to PKCS. |
| 7.2 Security | It is often reported the pilferage in the yard from the contents of containers. The port has been complied with ISPS code of IMO in July 2004 and registered accordingly. The port handle dangerous cargo in the port area. | PAT at Laem Chabang and Bangkok port announced in 1993 to handle dangerous cargo in the port area. The both ports has already complied to the ISPS codeof IMO. | | PKA had already provided the following facilities as the primart port to comply the ISPS code under the responsibility of the maritime department of GOM. (i) X ray checking container, (ii) GPS, (iii) CCTV , (iv) The security plan of each port is prepared by respective terminal operator according to ISPS code. |

Table 3.4.6 Continue

| | | | | | |
|-----|-------------------------|--|--|--|---|
| 7.3 | Export Processing Zone | | The Laem Chabang Industrial | PAT opened the small and midum | |
| | Other facilities | There is no Inland container Depots to carry out customs procedures around the port area. There are number of bonded factories in the sourounding area of the port where the custome procedures and export declaration documents can be processed. | Estate is situated just behind the sea port. The total area 576 ha consisting general industrial Zone (280 ha) and Export Processing Zone (147 ha). in which custom clearance service is provided. 135 of established factories operate in the Estate. | enterprises (SME) export promotion center to help SMEs exporters in exporting their products. | Minity of Finance GOM established Free Commercial Zone(FCZ) around the port area. THE PKA is designated as the Free Zone Authority(FDA) in each port. All operation in the port is considered to be operated inside the free commercial zone. The custom control is minimum. The free zone is deemed to be a place outside Malaysia to encourage commercial activities, trading, banking, and port activities of import and export trade. |
| 8. | Future Development Plan | | | | |
| | | (1) Development and operation of industrial estate and container terminals at Bojonegara for supporting Tanjung Priok port. (2) Optimization of 22 ha of Dock Koja Bahari space in the Tanjung Priok port. (3) Development of old conventional berths of Nusantara basin for multipurpose terminals. | (1) Development of container terminals of Phase 2 project constructing 1,800 m container berth, and 500m passanger terminal berth in the basin 2 to expand the capacity of containers to 3.4 mil TEU additionally with water depth of -16 m. | PAT plans to develop coastal shipping facilities and regional ports in Ranong province to extend the transportation of goods carried along the Andaman coastaline to Myanmar and South Asia and expanding trade with countries bordering the Mekong River. | The westport located in the Pulau Inda is planned to expand toward the Malaka Strait along the extension of the present berth alignment with 6 additional berths. The expansion of North port is required, but due to limitation of the area on land and sea, no more expansion of North port but concentrate to Westport. |

3.5. Improvement of Airport Infrastructure

The scope of this study covers the process and procedure from the acceptance of documents and cargoes/goods at the bonded warehouse in Soekarno-Hatta International Airport up to the departure of aircraft as to export, and from the arrival of aircraft up to the delivery of documents and cargoes/goods at the bonded warehouse in the airport as to import.

To be more precise, the export process and procedure includes from the acceptance of documents and cargoes/goods at the export bonded warehouse in the airport, buildup of cargoes onto ULDs at the export cargo buildup area, loading of documents and ULD/BULK cargoes onto aircraft, up to the departure of aircraft.

The import process and procedure includes from the arrival of aircraft, unloading of documents and ULD/BULK cargoes from aircraft, breakdown of ULD cargoes and arrival check of cargoes at the import cargo breakdown area, temporary storage of cargoes in the bonded storage area up to the delivery of documents and cargoes at the bonded warehouse in the airport..

The analysis of present condition and hindrance for improvement identified through the study mentioned above, the study of time required for release of goods and also through hearing/interview with airfreight forwarders, etc. are described as follows:

3.5.1 Hardware field

(1) Import Cargo Handling Area

1) Analysis of Present Condition and Identification of Hindrance for Improvement

The existing import cargo handling area does not have an enough space to break down ULD cargoes and also to perform arrival cargo checks efficiently, smoothly and safely.

Also, under present conditions, there are many ULD cargoes to be held temporarily outside the bonded warehouse facility not only due to the space shortage of ULD cargo breakdown area but due to the space shortage of total import bonded warehouse, which constitutes the main cause of wet cargo damage, especially during the rainy season.

2) Improvement Plan

- i) In order to store import cargoes more effectively, effective utilization of three-dimensional warehouse space is necessary by setting up "mobile-type racks" or more appropriate high-rise racks.
- ii) In order to enable PT. Garuda and PT. JAS to handle larger volume of import cargoes more efficiently, speedily and safely, promotion of delivery of import cargoes by ULD is necessary by expanding and renovating the existing import truck dock platform.
- iii) In order to minimize the storage volume of "long-term-storage import cargoes," effective

control and proper handling of such cargoes are necessary according to the contract of carriage and other related laws and regulations.

(2) Import Truck Dock Platform

1) Analysis of Present Condition and Identification of Hindrance for Improvement

The existing import truck dock platform space (depth: 4m) is too narrow for a forklift to move back and forth or turn around smoothly when loading of import cargoes onto the truck, even during non-peak time of import cargo handling. But when it comes to peak time, the truck dock platform becomes too crowded with released import cargoes and has no space for people (= consignees or their customs brokers or truckers) to pass through the truck dock platform. Also there is no space to deploy a necessary number of forklifts flexibly as the need arises. Therefore, it is the real situation that most of the physical cargo handling work, such as loading of import cargoes onto the truck, is relied on the manpower of clients (= consignees or their customs brokers or truckers) instead of forklifts.

Furthermore, since the structural style of the existing truck dock is quite outdated, the height of the truck dock platform cannot be changed to the height of the truck bed. Moreover, the existing truck dock platform (for medium-size truck) has not been designed with the consideration of small-size or large-size trucks, especially the wing type large-size truck which is mainly in use in other major countries in Asia.

These truck dock problems are serious bottlenecks to promote the delivery of import cargoes by ULD and to ease the congestion of truck docks as well as parking lot for trucks waiting for pick-up of released import cargoes. Not only that, this truck dock problem is also causing a secondary shortage problem of cargo handling equipment such as forklifts.

2) Improvement Plan

- i) Expansion of the existing import truck dock platform space is necessary so as to be able to deploy a necessary number of forklifts flexibly as the need arises.
- ii) The renovation of truck dock platform is necessary by setting up levelators so as to be able to adjust the height of the truck dock platform to that of the truck beds or by changing the structural style of the truck dock platform so as to be able to respond especially to the wing type large-size truck.
- iii) Promotion of delivery of import cargoes by ULD as many as possible at the bonded warehouses in the airport is necessary by enhancing the function of forwarder's bonded warehouse outside the airport in order to relax the congenial congestion of the truck dock and also to enable PT. Garuda and PT. JAS to handle larger volumes of import cargoes more effectively, speedily and safely.

(3) Cargo Handling Equipment

1) Analysis of Present Condition and Identification of Hindrance for Improvement

In the normal cargo handling such as loading or unloading of cargoes onto or from the trucks, forklifts are used, but in Soekarno-Hatta International Airport, most of such physical cargo handling work is performed relying on the manpower of clients instead of forklifts. As already mentioned, the existing truck dock platform does not have enough space to deploy a necessary number of forklifts flexibly, which therefore causes a secondary shortage problem of cargo handling equipment.

2) Improvement Plan

- i) Expansion of the existing truck dock platform space is necessary so as to be able to deploy a necessary number of forklifts flexibly as the need arises.
- ii) Also renovation of the truck dock platform is necessary by setting up levelators so as to be able to adjust the height of the truck dock platform depending on the height of the truck beds or by changing the structural style of the truck dock platform so as to be able to respond especially to the wing type large-size truck.

(4) Wet Cargo Damage

1) Analysis of Present Condition and Identification of Hindrance for Improvement

Many complaints have been raised against cargo traffic handling irregularities, especially against wet cargo damage caused during the rainy season. Main cause of the wet cargo damage at Soekarno-Hatta International Airport lies in the shortage of total import bonded warehouse space rather than being the human factor. Under the existing bonded warehouse conditions, there are many ULD cargoes to be held temporarily outside the bonded warehouse facility not only due to lack of the ULD cargo breakdown area but also due to lack of total import bonded warehouse spaces. Moreover, since the lengths of the existing bonded warehouse eaves are too short, it is impossible to protect ULD cargoes from wet-damage, especially during the rainy season.

2) Improvement Plan

In order to prevent wet cargo damage caused during the rainy season, it is necessary to elongate the eaves of the existing bonded warehouse or to set up a bonded shelter with canopy utilizing the idle or sleeping land on the apron side as an emergency evacuation temporary measure until the completion of a new cargo terminal facility

(5) Lighting Setup in the Airport Bonded Warehouse

1) Analysis of Present Condition and Identification of Hindrance for Improvement

The existing lighting is too poor for warehouse workers to perform documents and cargo handling effectively in the bonded warehouse. Such inadequate lighting not only worsens the

warehouse work environment, but also has a high possibility of misidentifying AWB number of labels or marks on cargo, which, as the result, may lead to the occurrence of a serious cargo traffic handling irregularity such as loading error of export cargoes onto ULD, etc. Also such inadequate lighting may become a factor which promotes the occurrence of suspicious pilferage in the bonded warehouse.

2) Improvement Plan

- i) In order not only to improve the work environment in the airport bonded warehouse, but also to prevent the cargo traffic handling irregularity such as loading error of export cargoes onto ULD, etc. and also in order to eliminate an environment leading to the possibility of occurrence of pilferage, improvement of insufficient lighting in the bonded warehouses is necessary by increasing the number of lighting or by changing the lighting system.
- ii) Where possible, work areas in the bonded warehouse should also have access to daylight through windows in the roof, which will reduce energy costs and improve working conditions.

(6) Traffic Congestion in the Parking Lot

1) Analysis of Present Condition and Identification of Hindrance for Improvement

The parking lot of trucks waiting for pick-up of released import cargoes becomes too crowded when it comes to peak time of import cargo handling, which makes it difficult for cargo vehicles to move smoothly.

2) Improvement Plan

- i) In order to improve the traffic congestion, it is necessary to change the flow of vehicular traffic from both way to "one-way traffic" and to restrict the entrance number of trucks into the parking lot depending on the situation of traffic congestion.
- ii) In order to make the flow of trucks smooth, it is necessary to establish a passing lane for vehicles by drawing a white line or a yellow line.
- iii) In order to improve the traffic congestion during peak time of import cargo handling, the temporary parking lot space near the existing parking lot needs to be utilized effectively.

(7) New Cargo Terminal

1) Analysis of Present Condition and Identification of Hindrance for Improvement

As already mentioned, the existing bonded warehouse facility is already too narrow and the structural style of the warehouse is too outdated to handle international cargoes efficiently,

smoothly and safely. The existing Cargo Terminal facility of Soekarno-Hatta International Airport is inferior in many respects compared to those of Bangkok International Airport in Thailand and Kuala Lumpur International Airport in Malaysia.

The expansion and renovation of the existing bonded warehouses are essential but these will be merely an emergency evacuation temporary countermeasure until a new cargo terminal is constructed. The construction of a new cargo terminal with more state-of-the-art equipment, facilities and more user-friendly warehouse work environment is essential in order to cope with the increase of future cargo demand as a hub cargo not only in Indonesia but also in Asia.

2) Improved Plan

In designing and building a new cargo terminal, it is necessary to take into consideration the following:

- i) In order to acquire the information and guidelines necessary for new cargo terminal facility planning, it is required to observe as many real situations of cargo terminal facilities in foreign countries as possible including the neighboring countries of South East Asia such as Bangkok International Airport in Thailand and Kuala Lumpur International Airport in Malaysia
- ii) In order to construct a new cargo terminal building facility with more state-of-the-art equipment, facilities and more user-friendly warehouse work environment and also with other related facilities, such as agents/forwarders facilities, customs offices and other office blocks, as well as free-trade zone facilities, etc., on landside areas of the cargo terminal complex, without impeding the cargo flow, traffic and parking, it is required to listen to the opinions and comments from the private sector as broadly as possible.
- iii) In deciding the size of a new cargo terminal building facility, it is necessary to take into consideration the factors such as busy-hour passengers and aircraft movements in addition to busy-hour cargoes and cargo aircraft movements, and cargo and vehicle's flow lines.
- iv) In constructing a new cargo terminal, it is necessary to divide the time frame into Phase One (2005-2009), Phase Two (2010-2015) and Final Phase (After 2016) and to consider taking a long-term view in order to acquire the greatest effect with minimum investment and also to allow possibilities for future expansion,
- v) In order to cope with the increase in future cargo demand and also in view of the present situation of the bonded warehouse facilities of PT. Garuda and PT. JAS, an early start of full-fledged planning and implementation of Phase One is indispensable.

- vi) In order to utilize the old investment portion to the maximum extent and to minimize unnecessary future investment, formulation of an effective reusable plan of the existing site and cargo terminal facilities are also very important.

3.5.2 Software Field

(1) Control and Storage System of Import Cargoes

1) Analysis of Present Condition and Identification of Hindrance for Improvement

At present, cargo arrival checks are performed by warehouse workers based on the hard copies of cargo manifests. And the arrival-check-data entered on the cargo manifest by warehouse workers is fed into computers manually in the office later. But the present data processing method not only takes a lot of time but also causes duplication of manual input work of Air Waybill numbers, and also hides a high possibility of data-input errors of Air Waybill numbers, arrival checks and storage locations of import cargoes, etc. Furthermore, these kinds of data-input errors will lead to serious cargo handling traffic irregularities such as delivery errors and delivery delays of import cargoes, etc.

2) Improvement Plan

In order to enhance the import cargo control and storage system, introduction of “Wireless Bar Code System” is highly recommended. The data processing which includes arrival check, temporary storage, release of import cargoes, etc. is a very important area where computerization is absolutely necessary. And computerization is recommended to be introduced as a local computer system intends to be on-line-interfaced with the main computer system. By doing so, a greater effect is expected as follows:

- i) Prevention of various kinds of cargo traffic handling irregularities such as delivery errors and delivery delays of import cargoes etc, which are caused by posting/input errors of data
- ii) Elimination of duplication in manual posting/input work of data
- iii) Speedy and accurate processing of data such as arrival checks, storage locations and deliveries of import cargoes
- iv) Accurate, speedy and effective control and storage of import cargoes in the bonded warehouse.

3.5.3 Institutional Aspects

(1) Function of Forwarder's Bonded Warehouse outside the Airport

1) Analysis of Present Condition and Identification of Hindrance for Improvement

Since June 2001, airfreight forwarders have been permitted to have their own bonded warehouse outside the airport.

Regarding the bonded transportation of import cargoes, that is, the bonded transportation from the bonded warehouse of PT. Garuda or PT. JAS in the airport to the forwarder's bonded warehouse outside the airport is permitted only for BULK cargoes after breakdown of import ULD cargoes at the bonded warehouse in the airport, but the bonded transportation of ULD cargoes is not permitted.

While, in respect to the bonded transportation of export cargoes, that is, the bonded transportation from the forwarder's bonded warehouse outside the airport to the bonded warehouse of PT. Garuda or PT. JAS in the airport is not permitted for all export cargoes (BULK/ULD cargoes). In other words, all export cargoes must be brought into the bonded warehouses in the airport and the buildup of export cargoes onto ULDs is to be carried out in the bonded warehouse in the airport only by PT. Garuda or PT. JAS.

Originally, the function of the bonded warehouse in the airport and that of the forwarder's bonded warehouse outside the airport are different. The main function of the former is to deliver more cargoes as swiftly as possible by ULD without breaking down the import ULD cargoes in the airport. The main function of the latter is to pick up ULD cargoes in the airport as quickly as possible and transport the ULD cargoes in bond to their own bonded warehouse outside the airport and import customs clearance should be made at the forwarder's bonded warehouse in compliance with the request of the respective consignee, as the case may be.

2) Improvement Plan

In order to enhance the function of forwarder's bonded warehouse outside the airport, the following measures are recommended.

- i) In view of the present situation of the bonded warehouse facilities of PT. Garuda and PT. JAS and also the increase of the future air cargo demand, the bonded transportation of export and import cargoes by ULD between the bonded warehouse in the airport and the forwarder's bonded warehouse outside the airport is essential. In order to do so, an early solution and improvement of these institutional problems are necessary. Reviewing and improving these institutional problems will lead to improve the efficiency for existing infrastructure and utilities and to open up sectors to greater private sector participation and to facilitate the trade and investment activities in Indonesia.
- ii) Regarding the export cargoes, improvement is necessary so as to be able to build up onto ULD at least concerning "lot cargoes" at the forwarder's bonded warehouse outside the airport. For that purpose, an early solution and improvement of these

institutional problems are necessary. To do so will enable PT. Garuda and PT. JAS to handle larger volume of cargoes more speedily, efficiently and safely.

iii) At the bonded warehouse in the airport, promotion of the acceptance of export cargoes and the delivery of import cargoes by ULD is essential. In order to do so, an early solution and improvement of these institutional problems are necessary. At the same time, expansion and renovation of truck dock facilities in the bonded warehouse in the airport is also necessary.

(2) Transportation of Cargoes between Japan and Indonesia via Singapore, Bangkok and Kuala Lumpur

1) Analysis of Present Condition and Identification of Hindrance for Improvement

At present, a lot of cargoes between Japan and Indonesia are carried via third countries.

The first reason why many cargoes between Japan and Indonesia are carried via third countries is due to the fact that the capacity (supply) of air cargo transportation between Japan and Indonesia is not enough, because there is no direct freighter service between Japan and Indonesia.

The second reason is that many regulatory problems, actions and restrictions in respect to trade related systems and procedures still exist in Indonesia.

In Malaysia, for example, the "Concepts of User-Friendly", "Free Commercial Zone" etc. has already spread, especially in the field of trade related systems and procedures. From this viewpoint, Malaysia is a model country, which has already overcome these kinds of problems that Indonesia is still facing now.

Regrettably, it is a real situation that the scale and cargo handling capacity of the existing air cargo terminal in Soekarno-Hatta International Airport is inferior in many respects compared with those of Kuala Lumpur International Airport in Malaysia and Bangkok International Airport in Thailand, where we conducted trade environment investigation as the close-related third countries with Indonesia.

2) Improvement Plan

i) In order to improve the investment environment from foreign countries to Indonesia, it is required to reform drastically the bureaucracy with much red tape, to raise transparency, and to become "an attractive country."

ii) The most important thing for the Indonesian government is observing, for her guidance, as many real situations of cargo terminal facilities in foreign countries as possible including the neighboring countries of South East Asia such as Bangkok International Airport in Thailand and Kuala Lumpur International Airport in Malaysia. And it is

necessary to improve the "total physical distribution system" which covers all of the air cargo services "from the arrival of aircraft to the delivery of cargoes to consignees" and "from the acceptance of cargoes from shippers to the departure of aircraft" by listening to the opinions and comments from the private sector as broadly as possible.

iii) At present PT. Angkasa Pura II has a plan to make the Air Cargo Transshipment Village in a bonded zone, in which area includes offices, export-import storage, and soft industries producing air cargo items as a part of the concept of creating Soekarno-Hatta International as a hub cargo terminal. Therefore, it is necessary to solve the unsolved problems related with trade and investment facilitation policies during the course of the realization of the above Air Cargo Transshipment Village concept.

3.5.4 Operational and Organizational Aspects

For these 10 years, the concept of Just-In-Time (JIT)) has become dominant throughout the world. In air cargo transportation, reliability, accuracy, safety, swiftness, and at an appropriate cost are very important factors. Also, many enterprises, especially Japanese-affiliated companies require high quality standard of air cargo services.

(1) Broken Cargo Damage

1) Analysis of Present Condition and Identification of Hindrance for Improvement

Much of the broken cargo damage occurs by rough and careless handling of warehouse workers, especially concerning precision machinery such as electric and electronic parts and goods. This is obviously caused due to a lack of thinking toward the safety and maintenance control in addition to the fundamental code of professional ethics of warehouse workers.

2) Improvement Plan

- i) In order to prevent broken cargo damage caused by rough and careless handling of warehouse workers, more effective internal education and training programs dealing with the safety and maintenance control in addition to the fundamental code of professional ethics should be conducted and enhanced toward warehouse workers.
- ii) In order to reduce cargo traffic handling irregularities such as wet cargo damage, broken cargo damage, cross-forwarding of cargoes, etc. enhancement of the "total quality control" of air cargo services is necessary

(2) Cross-Forwarding of Cargoes

1) Analysis of Present Condition and Identification of Hindrance for Improvement

At the time of bond-in check of export cargoes and also at the time of buildup check of export cargoes onto ULDs, there are cases where AWB number check, piece count and destination check are not properly performed, which cause a serious cargo traffic handling irregularity such as cross-forwarding of cargoes to wrong destinations.

2) Improvement Plan

In order to prevent cargo traffic handling irregularity such as cross-forwarding etc., it is essential to collate cargoes and documents thoroughly by each AWB number. In performing physical warehouse work, the most important thing to remember is "to start with a check and end with a check." But the more effective and substantial way to solve these kinds of problems are to introduce a "wireless bar code system." By doing so, it is possible to eliminate various kinds of cargo traffic handling irregularities caused by a misidentification of AWB number, manual posting/input error of data, etc. and also to eliminate the duplication of manual posting/input work of data.

(3) Mind toward Safety and Maintenance Control

1) Analysis of Present Condition and Identification of Hindrance for Improvement

There are cases where ULD cargoes with container's door open are carried by dollies. This situation is caused due to a lack of thinking toward safety and maintenance control and also a lack of the fundamental code of professional ethics of the workers. In the event that any of the ULD cargoes being dropped on the way from inside of the ULD on the dollies, it is very dangerous and may lead to the occurrence of cargo damage or other accident. It is highly expected that the handling volume of precision machinery such as electrical and electronic parts and goods to be carried by air will increase from now on. In this sense, a solution to this kind of problem is very important.

2) Improvement Plan

In order to improve the situation where ULD cargoes with container's door open are carried by dollies, more effective internal education and training programs dealing with the safety and maintenance control in addition to the very fundamental code of professional ethics need to be carried out and strengthened toward warehouse workers.

(4) Effective Control and Proper Handling of "Long-Term-Storage Import Cargoes"

1) Analysis of Present Condition and Identification of Hindrance for Improvement

Import cargoes which elapsed one month or more after the arrival at Soekarno-Hatta International Airport are to be transferred as "long-term-storage import cargoes" from the bonded warehouses of PT. Garuda and PT. JAS to the Customs Bonded Warehouse. But it is in a difficult situation to find more space to accommodate such cargoes in the Customs

Bonded Warehouse, since many "long-term-storage import cargoes" have already been stored in the Customs Bonded Warehouse,.

As a result of such a situation, these "long-term-storage import cargoes", which are so called "Sleeping Cargo", are obliged to be stored in the bonded warehouses of PT. Garuda and PT. JAS under the direct instruction and supervision of the airport customs and they have come to occupy too much space in the bonded warehouses. Moreover, many of such cargoes stored in the bonded warehouses of PT. Garuda and PT. JAS have been gathering dust and occupying the space beyond necessity because they have not been controlled sufficiently and stored effectively.

According to the data of the airport customs about the on-hand volume of "long-term-storage import cargoes" which have been accommodated in the Customs Bonded Warehouse, there are 2,698 cases, 6,090 pieces, 137,310.38 kg as of June 2004. But the figure does not include the on-hand volume of "long-term-storage import cargoes" which have been stored in the bonded warehouses of PT. Garuda and PT. JAS under the instruction and supervision of the airport customs.

Since "long-term-storage import cargoes" in the Customs Bonded Warehouse have not been controlled properly by storage location, it is an almost impossible situation to look for a specific cargo once they are transferred from the bonded warehouse of PT. Garuda or PT. JAS to the Customs Bonded Warehouse.

The situations of the Customs Bonded Warehouse of Soekarno-Hatta International Airport and PT. Garuda's Bonded Warehouse are shown in the following photographs.

- * The Customs Bonded Warehouse of Soekarno-Hatta International Airport and "Long-Term-Storage Import Cargoes

Fig.3.5.1 Photo 1 — Customs Bonded Warehouse

Fig.3.5.1 Photo 2-3 .— "Long-Term-Storage Import Cargoes" in the Customs' Bonded Warehouse

- * "Long-Term-Storage Import Cargoes" in the PT. Garuda's Bonded Warehouse

Fig.3.5.1 Photo 4 — Long-Term-Storage Import Cargoes in the in the PT. Garuda's Bonded Warehouse

2) Improvement Plan

- i) In order to enhance the control of "long-term-storage import cargoes", control of such cargoes by storage location is absolutely necessary in addition to present control items

- ii) In order to minimize the storage volume of "long-term-storage import cargoes," enhancement of proper handling of such cargoes is necessary according to the contract of carriage and other related laws and regulations.
- iii) In order to minimize the storage volume of "long-term-storage import cargoes," higher storage charges for cargo of lengthy storage period could be considered and implemented in addition to the above two countermeasures.

(5) Release of Import Cargoes Requiring Longer Time

1) Analysis of Present Problems and Hindrances and Improvement Plan

At present, there are complaints from clients saying that the time from arrival of aircraft to release of goods takes too long.

According to the results of the time measurement for export and import processes, the average time of 67 hours 59 minutes were used up only for the process interval between the notice of Red Channel and the start of customs cargo inspection as against the average total time of 117 hours for that between Submission of PIB and Issuance of SPPB. Since the longest time was spent on processing of this portion, the process portion is considered that an improvement is required.

On the other hand, according to the hearings by way of questionnaires and interviews with airfreight forwarders and customs brokers, strong dissatisfactions were indicated toward the present situation of the customs cargo inspections. Because it is very difficult to get in touch with customs officers in charge and takes too much time for making an appointment for the presence of customs inspections due to circumstances of absence or shortage of customs officers.

2) Improvement Plan

- i) Improvement in the quality of customs personnel's services is necessary by enabling every customs personnel on duty to respond impartially and efficiently to every case.
- ii) In order to minimize the extra contacting time as much as possible from the side of consignee or its customs broker to the customs officer in charge for making an appointment for the presence of customs cargo inspection, it is necessary to notify the consignee or its customs broker of the time and date for the customs inspection at the time of designation of Red Channel in addition to the name of customs officer in charge.
- iii) In order to facilitate the handling of customs inspections, a necessary number of customs officers should be deployed by reviewing the real situation of the present system of customs personnel's shift.

3.5.5 Security Aspects

(1) Pilferages

1) Analysis of Present Condition and Identification of Hindrance for Improvement

Pilferage cases occur frequently in Indonesia, even in the airport bonded warehouses of PT. Garuda and PT. JAS, especially concerning high-valued goods. Pilferage cases are a serious problem to the consignee and its customs broker. Present security countermeasures taken in the existing airport bonded warehouse are not sufficient. Under the present condition of the cargo terminal, it is very difficult to prevent and detect pilferage cases, especially when it comes to the case of inside jobs.

2) Improvement Plan

- i) In order to solve the problem of pilferage, it is necessary to install a necessary number of surveillance cameras in the bonded warehouse so that the movement of people and others in the bonded warehouse facilities can be monitored and recorded, and also can be traced at a later date as the case may be.
- ii) In order to eliminate an environment leading to the possibility of occurrence of pilferage, it is necessary to improve lighting setup in the existing bonded warehouses of PT. Garuda and PT. JAS by increasing the number of lighting or by changing the lighting system.

(2) Coming of Cats Inside the Bonded Warehouse Facility

1) Analysis of Present Condition and Identification of Hindrance for Improvement

Every time when visiting the bonded warehouse of the Cargo Terminal in Soekarno-Hatta International Airport, several cats can be seen in the bonded warehouse facilities even in the daytime. This situation cannot exist in other countries. From a sanitary and safety control point of view against human and cargoes (food, etc.), this situation cannot be left as it is.

2) Improvement Plan

In order to eliminate any possibility of leading to the occurrence of cargo damage caused by cats in the bonded warehouse and also to eliminate any problem against human and cargoes (food, etc.) from a sanitary and safety control point of view, some proper countermeasures need to be taken to prevent cats from coming inside the bonded warehouse facility in the airport

(3) Security in General

1) Analysis of Present Condition and Identification of Hindrance for Improvement

Under the existing cargo terminal condition, there is a possibility that outsiders can easily steal into the crowded bonded warehouse and also access the apron side of the cargo terminals. The September 11th tragedy in New York (2001) and subsequent Bali bombing incident (2002) motivated us to keep improving alertness and readiness. Therefore, it is necessary to review the present security measure in order to improve the security measure in the airport as a whole including the cargo terminal.

2) Improvement Plan

In order to enhance the airport security as a whole including the Cargo Terminal, it is necessary to review the present security check system against people who access the inside of the bonded warehouse facilities.

3.5.6 Investigation of Trade Environment in Third Countries

In order to collect relevant additional information for comparison with the data and information obtained from the study, investigations in third countries were carried out during the period from May 30, 2004 through June 5, 2004 in Thailand and Malaysia which have close relationship with Indonesia.

The comparisons with these countries and photos are shown in Table 3.5.1 to Table 3.5.3 and Fig. 3.5.2 (1) to Fig. 3.5.2 (10) respectively.

Table 3.5.1 Comparison of SHIA with Third Countries (Thailand and Malaysia)
Comparison Table with Third Countries (Thailand and Malaysia) [Part I]

| Item | Indonesia | Thailand | Malaysia |
|-----------------------------------|--------------------------------------|-----------------------------------|---|
| Airport Name | Soekarno-Hatta International Airport | Bangkok International Airport | Kuala Lumpur International Airport |
| Opening Year of Airport | 1985 | 1914 | 1998 |
| Airport Land Area | 1,800 h | 621 h 1,500 h | 3,000 h(First Phase) |
| Runway | 3,660m x 1 3,600m x 1 | 3,700m x 1 3,500m x 1 | 4,000m x 2 |
| Operating Parent Body | PT Angkasa Pura II | Airport Authority of Thailand | Kuala Lumpur International Airport Berhad (KLIAB) |
| Handling Capacity | 18,000,000 passengers /Year | ? | 25,000,000 passengers /Year |
| Annual Passenger Movements | 14,830,000 (2002) | 13,120,000 (2002) | 16,400,000 (2002) |
| Future Plan | ? | New airport is under construction | Future plan: 10,000 h Runway: 4,000m x 4 by 2020 Handling capacity: 60,000,000 passengers/year |

Table 3.5.2 Comparison of SHIA with Third Countries (Thailand and Malaysia)
Comparison Table with Third Countries (Thailand and Malaysia) [Part II-A]

| Item | Indonesia | Thailand | Malaysia |
|--|---|---|--|
| Airport Name | Soekarno-Hatta International Airport | Bangkok International Airport | Kuala Lumpur International Airport |
| Total Cargo District Land Area | 67,290m ² | 167,000m ² | 430,000m ² |
| Cargo Terminal Warehouse Operator | PT Garuda (Export) PT JAS | TG = Thai Airways International TAGS = Thai Airport Ground Service | MH Askargo (Malaysian Airlines) KLAS (KL Airport Service) |
| Total Cargo Terminal Bonded Area | 46,825m ² | 107,064m ² | 92,900m ² (MASkargo) |
| Cargo Terminal | Bldg.No. 510 PT Garuda (Export) Bldg.No. 520 PT Garuda (Import) Bldg.No. 520 PT JAS (Import) Bldg.No. 530 PT Garuda (Import Rush Handling) Bldg.No. 530 PT JAS (Export) | Terminal 1(TAGS Import Warehouse) Terminal 2 (TG Customer's Airlines) Terminal 3 (TG) Terminal 4 (TAGS Export Warehouse) | MASKargo Terminal KLAS Terminal |
| Building Structure | 1-story structure | 2-story structure with vaulted ceiling in warehouse part | MASKargo 2-story structure including warehouse |
| Building Size | Bldg. No.510 168m(W) x 84m(D) Bldg. No.520 168m(W) x 100.8m(D) Bldg. No.530 151.2m(W) x 84m(D) | Terminal 1: 264m(W)x109m(D) Terminal 2: 288m(W)x111m(D) Terminal 3: 252(W)x112.5m(D) Terminal 4: 180m(W)x100m(D) | MASKargo 312m(W)x132m(D) |
| Bonded Area | 46,825m ² | 107,064m ² | 92,900m ² |
| Handling Capacity | ? | 300,000t | 675,000t/Year 1,000,000t/Year (Full Capacity) 3,000,000t/Year (Expandable with new Terminal) |

Table 3.5.3 Comparison of SHIA with Third Countries (Thailand and Malaysia)
Comparison Table with Third Countries (Thailand and Malaysia) [Part II-B]

| Item | Indonesia | Thailand | Malaysia |
|------------------------------------|---|--|--|
| Annual Airfreight Movements | 175,626t (2003) | 890,000t (2003) | 586,000t (2003) |
| Average | 3.8t /m ² | 8.3t /m ² | 6.3t /m ² |
| Comments | <p>1. The present warehouse facility of Cargo Terminalin Soekarno-Hatta International Airport is already too narrow and the structural style of the warehouse is too old to handle air cargoes efficiently, smoothly and safely.</p> <p>2. The warehouse work environment is very poor because inside the warehouse is too dark, narrow and crowded.</p> <p>3. Most of the physical cargo handling work has been relied on the manpower of cargo clients instead of forklift when loading of released import cargoes onto the trucks.</p> <p>4. There were many people who are obliged to spend a lot of idle time in and around the warehouse truck dock and customs office.</p> | <p>1. The airport bonded warehouses visited this time were TAGS import warehouse of Cargo Terminal 1 and TAGS export warehouse of Cargo Terminal 4.</p> <p>2. The ceiling of the warehouses is very high, ventilation of the warehouse was very good and the air in the warehouse felt very clean.</p> <p>3. The warehouse facilities have been well-designed structure with user-friendly, because the flat floor space, except the high-rise storage rack for import cargoes, work stations for building up export cargoes and ramp-side roller bed facilities for export ULD cargoes, can be used widely and effectively.</p> <p>Note: TAGS = Thai Airport Ground Service</p> | <p>1. The airport bonded warehouses visited this time were export and import warehouses of Malaysian Airlines' "AdvancedCargo Centre" (ACC)..</p> <p>2. The warehouse has been designed for effective use of three dimensional spaces of warehouse and labor-saving with the introduction of the advanced state-of-the-art cargo handling facilities.</p> <p>3. All the warehouse was kept very neat and clean.</p> <p>4. In Malaysia, the concept of "user-friendly" has been disseminated, especially in the field of trade related systems and procedures.</p> <p>5. The whole area of MASkargo ACC Terminal and Forwarders Warehouse Facility has been designated as "Free Commerical Zone" and within the area, export and import cargoes can be moved freely without any customs procedures for bonded transportation.</p> <p>6. In the middle part of the MASkargo Warehouse Facility, a corner of "Priority Business Centre" has been established where key-clients can kill their waiting time over a cup of coffee or tea at any of the day (available 24-hour)</p> <p>7. At the MASkargo warehouse counter, you can complete all kind of procedures at one place such as pick-up of cargo documents (AWB etc.), settlement of air freightage of charges collect import cargoes, storage charges, etc.</p> <p>8. At the customs' "One Stop Centre" in the airport, you can also complete all necessary customs and quarantine procedures in one place. "One Stop Centre" is open 24-hour of the day.</p> |



No. 1
Customs Bonded Warehouse for
Long-Term-Storage Import Cargoes



No. 2
Long-Term-Storage Import Cargoes in the
Customs Bonded Warehouse (1)



No. 3
Long-Term-Storage Import Cargoes in the
Customs Bonded Warehouse (2)

(1) Customs Bonded Warehouse of Soekarno-Hatta International Airport



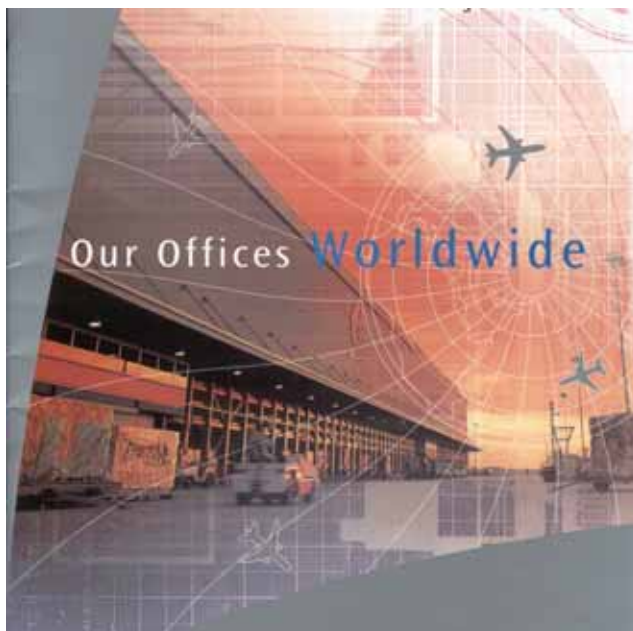
No. 4
Long-Term-Storage Import Cargoes in the
Bonded Warehouse of PT. Garuda

(2) Bonded Warehouse of PT. Garuda of Soekarno-Hatta International Airport

Figure 3.5.1 (Customs) Bonded Warehouses



No. 5
Cargo Terminal Buildings of
Bangkok International Airport



No. 6
Cargo Terminal Buildings of
Kuala Lumpur International
Airport (MASkargo)
Source: Malaysian Airline



No. 7
Cargo Terminal Buildings of
Soekarno-Hatta International
Airport

Figure 3.5.2 (1) Cargo Terminal Buildings



No. 8
Inside the Bonded Warehouse of
Bangkok International Airport (1)



No. 9
Inside the Bonded Warehouse of
Bangkok International Airport (2)



No. 10
Inside the Bonded Warehouse of
Bangkok International Airport (3)

Figure 3.5.2 (2) Inside the Bonded Warehouses (1/3)



No. 11
Inside the Bonded Warehouse of
Kuala Lumpur International
Airport (1)



No. 12
Inside the Bonded Warehouse of
Kuala Lumpur International
Airport (2)



No. 13
Inside the Bonded Warehouse of
Kuala Lumpur International
Airport (3)

Figure 3.5.2 (3) Inside the Bonded Warehouse (2/3)



No. 14
Inside the Bonded Warehouse of
Soekarno-Hatta International
Airport (1)



No. 15
Inside the Bonded Warehouse of
Soekarno-Hatta International
Airport (2)



No. 16
Inside the Bonded Warehouse of
Soekarno-Hatta International
Airport (3)

Figure 3.5.2 (4) Inside the Bonded Warehouse (3/3)



No. 17
Truck Docks of the Bonded
Warehouse of Bangkok
International Airport (1)



No. 18
Truck Docks of the Bonded
Warehouse of Bangkok
International Airport (2)



No. 19
Truck Docks of the Bonded
Warehouse of Bangkok
International Airport (3)

Figure 3.5.2 (5) Truck Docks of the Bonded Warehouse (1/4)



No. 20
Truck Docks of the Bonded
Warehouse of Kuala Lumpur
International Airport (1)



No. 21
Truck Docks of the Bonded
Warehouse of Kuala Lumpur
International Airport (2)



No. 22
Truck Docks of the Bonded
Warehouse of Kuala Lumpur
International Airport (3)

Figure 3.5.2 (6) Truck Docks of the Bonded Warehouse (2/4)



No. 23
Truck Docks of the Bonded Warehouse of
Soekarno-Hatta International Airport (1)



No. 24
Truck Docks of the Bonded Warehouse of
Soekarno-Hatta International Airport (2)



No. 25
Truck Docks of the Bonded Warehouse of
Soekarno-Hatta International Airport (3)



No. 26
Truck Docks of the Bonded Warehouse of
Soekarno-Hatta International Airport (4)

Figure 3.5.2 (7) Truck Docks of the Bonded Warehouse (3/4)



No. 27
Truck Docks of the Bonded
Warehouse of Soekarno-Hatta
International Airport (5)



No. 28
Truck Docks of the Bonded
Warehouse of Soekarno-Hatta
International Airport (6)



No. 29
Truck Docks of the Bonded
Warehouse of Soekarno-Hatta
International Airport (7)

Figure 3.5.2 (8) Truck Docks of the Bonded Warehouse (4/4)



No. 30
Parking Lot in front of the Truck
Docks of the Bonded Warehouse
of Soekarno-Hatta International
Airport (1)



No. 31
Parking Lot in front of the Truck
Docks of the Bonded Warehouse
of Soekarno-Hatta International
Airport (2)



No. 32
Parking Lot in front of the Truck
Docks of the Bonded Warehouse
of Soekarno-Hatta International
Airport (3)

Figure 3.5.2 (9) Parking Lots (1/2)



No. 33
Parking Lot in front of the Truck
Docks of the Bonded Warehouse
of Soekarno-Hatta International
Airport (4)



No. 34
Parking Lot in front of the Truck
Docks of the Bonded Warehouse
of Soekarno-Hatta International
Airport (5)



No. 35
Parking Lot in front of the Truck
Docks of the Bonded Warehouse
of Soekarno-Hatta International
Airport (6)

Figure 3.5.2 (10) Parking Lots (2/2)

3.6 Improvement of Inland Trade/Transport Infrastructure with Road Network

(1) Future Road Network (Arterial Road and Toll road)

1) Concept of Jakarta Outer Ring Road (JORR)

The Jakarta – West Java toll road system has been implemented in the following sequences since 1979.

- Jagorawi toll road has been open to the public since 1979
- The Jakarta – Merak toll road since 1984
- The Cengkareng Access since 1985
- The Jakarta – Cikampek toll road since 1988

As an integral part of the Jakarta – West Java toll road system, Jakarta Outer Ring Road is expected to play the following important roles:

- Alleviation of serious traffic congestion;
- Supplementing the function of the radial toll road and the Cengkareng Access; and
- Improvement of land use in DKI Jakarta, Tangerang and Bekasi.

Jakarta Outer Ring Road is planned near the fringe of the future urbanized area of DKI Jakarta and JABOTABEK Metropolitan region. Jakarta Outer Ring Road will become a vital portion of the Jakarta – West Java Toll road System together with the inner ring road and will distribute traffic in urbanized areas.

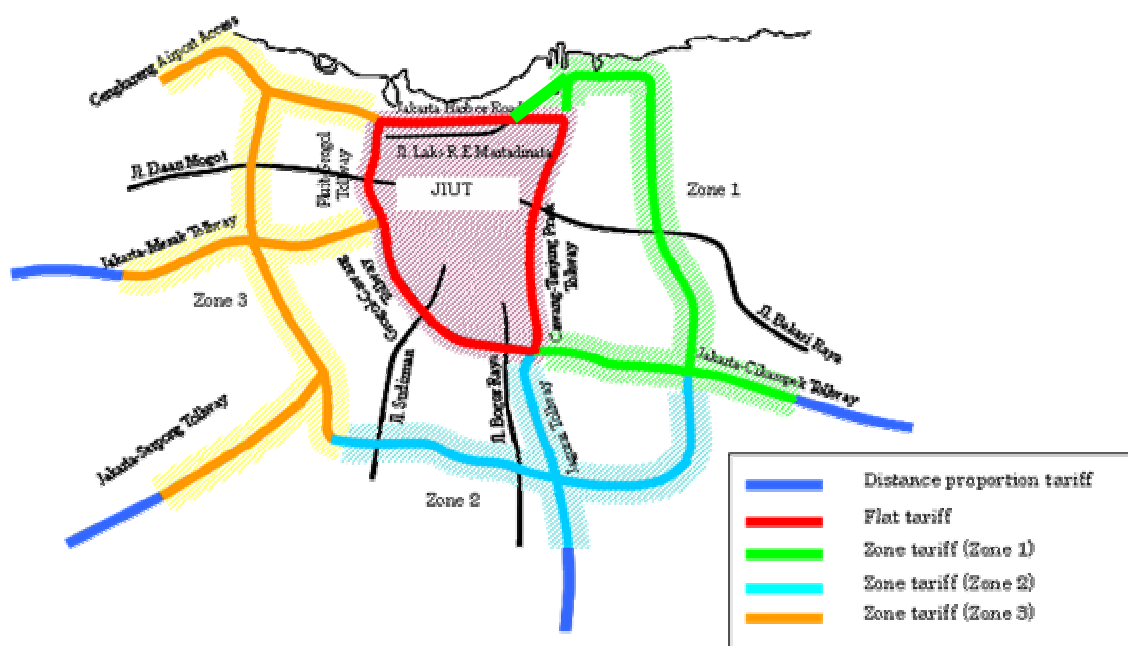


Figure 3.6.1 Concept of Tariff System in Jakarta Outer Ring Road

Tariff system for Jakarta Intra Urban Toll Road (JIUT) and Jakarta Outer Ring Road (JORR) should be consider with urban transportation system. Existing condition, utilization of JIUT is too extreme, because limitation of capacity and road network. There is no alternative toll road network. JORR will distribute generate traffic volume from/to Tanjung Priok Port with direction to south, west and east. Tariff system of JORR should be considered of part of urban transport system. As part or urban transport system, JORR should be implemented flat or double flat tariff system.

2) Necessity of JORR Northern Extension/ Tanjung Priok Access

The existing road access capacity to the Tanjung Priok Port is totally inadequate to accommodate the current traffic volume. The traffic counting survey conducted in 2002 verified that the main arterial roads approaching the port from West (Jl. Martadinata), South (Jl. Laks. M. Yos Sudarso) and East (Jl. Jampa/ Cilincing) are heavily congested with a mix of heavy trucks and public city traffic destined to the ports.

The construction of JORR Northern Extension Toll road (between Tanjung Priok and Cakung I/C) and JIUT connector (between Tanjung Priok Port and Tanjung Priok I/C) is required to separate port related traffic and public through traffic and to relieve the traffic congestion around the port considering the following circumstances:

- The land acquisition of the originally planned routes of JORR between Tanjung Priok I/C and Cakung I/C has been very difficult since it was proclaimed as a restricted area by the Governor of the DKI Jakarta Metropolitan. Alternatively the northern extension of JORR is proposed.
- While the JORR development project had been suspended since the economic crisis of 1997, the traffic volume through the Tanjung Priok, particularly containers volume have been increased steadily together with the recovering process of the Indonesian economy.
- The implementation program of the remaining parts of JORR in the South and West area had been set by PT. Jasa Marga (Road Development Cooperation) in 2002.

At the design stage of JIUT in 1988 – 1990, the JIUT connector (Jakarta Intra Urban Toll road), which includes the Harbour Road from the West, was intended to be the access route to Tanjung Priok port.

However, since then, the Bekasi Industrial area and Marunda New Port have remarkably developed. JORR Northern Extension becomes inevitable as alternative route to access the Tanjung Priok Port rather than the originally planned route of JORR.

3) Aim of JORR/ JORR Northern Extension (Tanjung Priok Access)

JIUT (Jakarta Intra Urban Toll road) including the Jakarta Harbour Road was completed in 1995/ 1996 and since then increase in traffic volume has been remarkable through this Toll road.

Traffic congestion on the toll road occurs daily particularly at four interchanges in the JIUT, namely Cawang, Tomang, Pluit and Tanjung Priok. The heavy congestion at these interchanges is due to the minimum geometric design standard for construction of each interchange, as it was very difficult to acquire land. The ramp from the toll road to the public city road thereof is in very poor condition, that is, the radius of ramp is small, longitudinal slope is steep, and the width of ramps is narrow, etc.

Under such a geometric design, heavy vehicles are forced to slow down at the ramps, while on the ramp which subsequently results in congestion since the following vehicles on the adjacent city roads must also slow down. This also lowers the lane capacity.

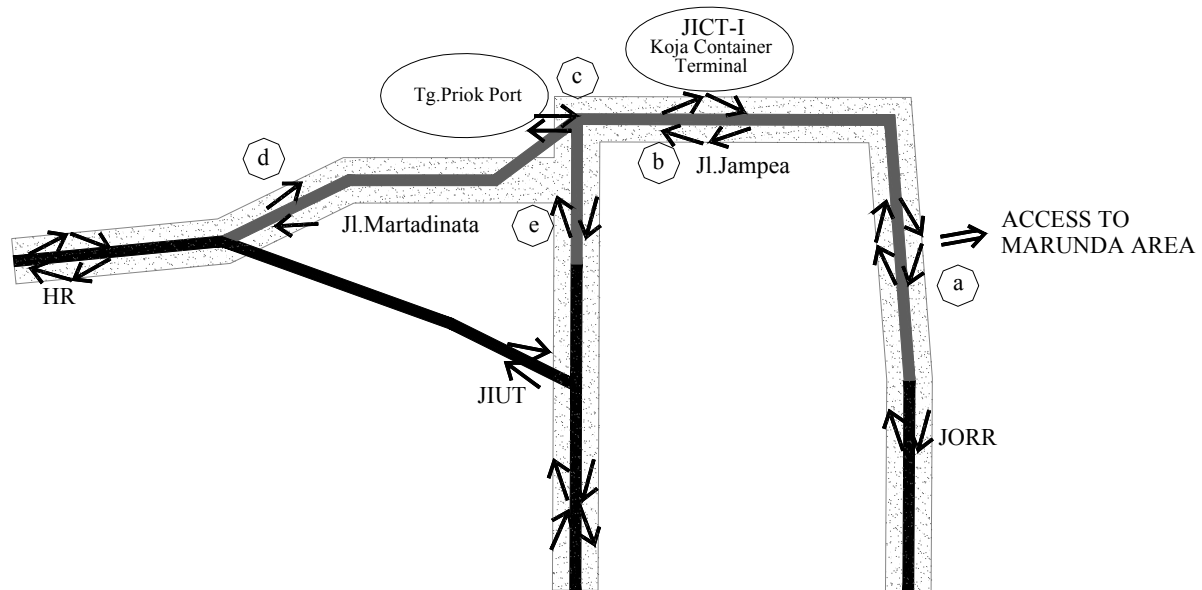
Accordingly, large/ heavy trucks especially trailer trucks to/ from the port are recommended to use the Outer Ring Road instead of the JIUT through the city for shorter access to the industrial estates in the eastern region (Karawang, Bekasi, Cikarang).

In case the traffic goes to the West through the harbour road, the existing arterial road of Jl. Martadinata should be improved and an elevated road should be developed to connect the harbour road due to the limited land for widening on both sides of the road.

The previous section Traffic Analysis substantiated the urgent need for the development of the JORR northern extension to connect between the gate of port to Cakung I/C for improved access to the port and the provision of grade-separated structures at major intersections to alleviate existing congestion.

The proposed improvement access to Tanjung Priok port from the three directions are summarized below:

- Eastern access : Construction of a new elevated road to provide direct access from the East, i.e., between JORR and the port, and widening Jl Jampea.
- Western access : Widening of Jl. Laks. R.E. Martadinata to provide improved access to the port from the West.
- Southern access : Construction of flyover along with Jl. Sulawesi at the intersection of Jl. Enggano in order to secure smooth access from the south including JIUT.



- a. Full diamond IC at Jl. Cacing (near Marunda Access)
- b. Full diamond IC at Jl. Jampea (near Koja Container Terminal)
- c. Half diamond IC at Tg. Priok Port Gate 9 (on to eastward, off to westward)
- d. Half diamond IC at Jl. Martadinata (on to westward, off to eastward)
- e. Half diamond IC at Jl. Yos Sudarso (on to southward, off to northward)

Figure 3.6.2 Conceptual Plan of Tanjung Priok Access I/C Locations

4) Eastern Access Port Highway

Eastern Access Port Highway is 3 km long viaduct to connect the Gate-9 at the port and intersection of Jl. Cilincing which is formed as parts of JORR Northern Extension, and generally follow the alignment of Jl. Jampea and Jl. Cakung.

Due to the narrow ROW (Right of Way), it will be built as an elevated structure along Jl. Jampea.

This highway viaduct starts near the Gate-9 of port entrance and slightly bend to North side and follows the existing alignment of Jl. Jampea.

The exclusive on-off ramps will be developed to connect JICT I/ Koja Container Terminal with this viaduct highway.

5) Western Access Port Highway

Widening of Jl. Laks. R.E. Martadinata from a 4-lane to 6-lane arterial road can take place within the existing right of way from the port to where it passes under the Harbour Toll Road.

Thereafter, in the Ancol area there is no room for widening within the existing ROW and the extra lanes will have to be provided either by building a second level or by constructing 3 eastbound lanes on the North side of Kali Ancol and using the existing road for westbound traffic. The latter option would be considerably cheaper than a costly overhead structure required for an elevated road.

The only practical way to a construct the Harbour Toll Connector would be to utilize the Jl. Laks. R.E. Martadinata corridor because the existing railway tracks and station congested housing areas and the port itself are major constraints.

Western Access Port Highway crosses the railway and a flyover is proposed because in Jakarta, provision of flyover is requested at any railway crossing. Gate-3 of the port is schedule to close. Accordingly, traffic congestion will be reduced, while staff and labor to/ from the port will still be allowed to use this gate because the bus terminal still remains.

(2) Access to Container Terminal

Based on the traffic counting survey data and traffic forecasts of vehicles around the Tanjung Priok port area, the improvement of access to the Tanjung Priok port is studied for the 3 directions to the port, i.e. from East (Jl. Laks. R.E. Martadinata), from West (Jl. Jampea Cilincing), and from South (Jl. Laks. Yos Sudarso and Jl. Sulawesi).

The number of lane requirements of the access roads according to the traffic demands of 2012 and 2025 is determined for each segment of road as follows:

Table 3.6.1 Summary of Traffic Lane Requirement at Target Years

| Road | Traffic Volume (PCU/day) | | Number of Lanes Required | | |
|------------------------------|-----------------------------|---------|--------------------------|------|------|
| | 2012 | 2025 | PCU/hr/lane | 2012 | 2025 |
| East: Jl. Jampea | 41,815 | 60,766 | 1,355 | 4 | 6 |
| East: JORR Toll Road | 78,405 | 123,373 | 2,300 | 4 | 6 |
| West: Jl. Martadinata | 114,766 | 175,784 | 1,398 | 10 | 14 |
| South: Jl. Yos Sudarso | 38,823 | 56,418 | 1,496 | 4 | 4 |
| South: JIUT Connector (Toll) | 72,795 | 114,546 | 2,300 | 4 | 6 |

4. Improvement Plan for Trade Facilitation

4.1 Thorough Reform of Administrative Function and Procedure

(1) Proactive Co-ordination and Promotion in Accordance with the Presidential Decree No.54/2002

In order to cope with various constraints and bottlenecks existent in Indonesian trade facilitation activities, the Coordination Team for Enhancing the Smoothness of Export and Import of Goods based on the Presidential Decree No.54/2002 is wished to carry out much more proactive coordination and promotion of all the actions for trade and transport facilitation as listed in the following sections of this Chapter, through efficient and effective coordination and cooperation among all the agencies concerned, and through effective cooperation between public and private sectors.

(2) The Introduction of “One-stop” (Single Window) Legal System in Import and Export Process

In terms of trade facilitation, “One-stop” (Single Window) system denotes electronic communication and service system between administration and business-entities whereby every procedure required for the import and export of cargoes including ship’s/airplane’s entering seaports and airports can be completed through one input, by the applicant, of necessary data in one computer window.

While the desirability of this system is self-evident, many pre-conditions as listed under, for example, need to be satisfied before the system can be in place in its ideal form. So, realization of these preconditions, together with the achievement of relevant structural reform in administrative processes, should be construed as a part of actions towards this “One-stop” (Single Window) system.

The measures to be set about immediately are :

- (1) reduction or abolition of application forms and items of required information, based on thorough business process review at administrative offices,
- (2) common use of the same application form to the maximum extent among ministries and agencies concerned, establishing computer networking and data/information sharing system between customs and VIER (verification of import and export requirements) agencies,
- (3) international standardization of application forms as per FAL Convention,
- (4) to establish application and processing by electronic data (paperless processing) as a general rule, including clear prior consulting and appeals procedure pertaining to customs and all VIER agencies,
- (5) adoption of internationally compatible data formats based on such standard electronic

formats as UN/EDIFACT or other standard formats, and

- (6) to maximize the contribution of e-commerce and ICT business applications to business entities' daily operation.

(Note) CGI's paper "Creating Jobs Through Investment" produced in October 2004 (hereinafter referred to as "CGI paper") indicated the donors' dissatisfaction with the Government's investment policy, saying "There has also been a delay in implementing "one-stop" services, and indecision on which level of government is to administer them.", and successively listed "Establishing through laws and regulations 'one-stop-shop' services for investors" as one of the main policy challenges to be attained within the first year.

By the same token, "One-stop" (Single Window) legal system as described above is as important for trade facilitation as the likewise system is for investment inducement.

(3) Clarification of Government / Business Role under Competitive Environment

Administration may be wished to become more involved, through public hearing etc., in the definition and promotion of the "public interest".

They may also be encouraged to intervene more pro-actively in pursuit of increased competition and efficiency.

In terms of the on-going privatization of services infrastructure at seaports and airports, actions may be necessary to establish legal and institutional system (regulatory system) whereby port-tariffs, investment and performance standards are openly discussed referring to the voices of various stakeholders with a view to securing public interest and trade efficiency.

(Note) "CGI paper" above quoted also raised the following as one of important considerations in terms of infrastructure : "Reforming the regulatory basis for competition and price setting, to achieve appropriate prices of public services that balance project sustainability / profitability with competitive pricing to support user industry competitiveness."

Several procedural guidelines as listed under may prove worthy to be considered to bring about efficient and fair regulation in sea- and air- port operation, namely :

- (1) actual as well as maximum tariffs should be filed with the administrative authorities,
- (2) information on the cost structure of regulated activities should be supplied automatically to the administrative authorities (regulators), in a format that is custom-designed to support regulatory decisions rather than as standard financial account, and
- (3) comment should be invited from interested parties (stakeholders) prior to any tariff review, as it may throw up issues and problems of which the administrative authorities (regulators) might have been unaware.

At the same time, administrative authorities (regulators) in charge of ports are required to develop their basic stance into "commercial / managerial" position, separating from a static

“administration of public property” and establishing standards and policy idea to evaluate private port operators’ investment and services as objectively as possible.

(Background to be noted) :

“As with all economic elixirs, privatization has been oversimplified, oversold, and ultimately disappointing---delivering less than promised.” These are the words seen in the Executive Summary of a World Bank report “Reforming Infrastructure ----- Privatization, Regulation, and Competition” prepared in March 2004 and publicized in the following June. The report also says “Under pressure from international agencies, investment banks, and financial advisers, many of these countries have hastily adopted regulatory templates from industrial countries, especially the United Kingdom and the United States. But these models have rarely been adapted to the political and institutional features common to poorer countries, including lack of checks and balances, low credibility, widespread corruption and regulatory capture, limited technical expertise, and weak auditing, accounting, and tax system. As a result such efforts have had limited success --- or been outright failures.” And also “Regulation that provides a credible commitment to safeguarding the interests of both investors and customers is crucial to attracting the long-term private capital needed to secure an adequate, reliable supply of infrastructure services.”

In the same report, a table of ranking of infrastructure regulation of six Asian developing countries is quoted from a study done in 1998. On a scale from A (best practice) to E (highly unfavorable for private investment), by-sector rating is shown for each of Coherence, Independence, Accountability, Transparency and Predictability. There, E-rating has been given for Indonesia’s transport regulation on every five sector above mentioned. (For Malaysia’s transport regulation, C-rating is given on Coherence and Independence, D-rating on Accountability and Predictability, and E-rating on Transparency.)

It might be worthy for Indonesia, at this moment, to reflect on its regulation in transport fields, mainly in terms of privatization in the recent past.

Regulation is an activity which has been viewed negatively, something to be avoided unless absolutely necessary. Yet in an imperfect market, regulation may be necessary to generate and enforce competition.

Historically, in any part of the world, port services have been provided within frameworks characterized by exclusive rights and or legal or de facto monopolies of a public or a private nature, and in terms of privatization there, the chances of creating fully competitive market appear low in general.

Regulation is still in its infancy in the port sector, and agreement on “best practice” is hard to find, while as the points of issue in terms of port operation after its privatization, three points i.e., port tariffs system, investment in port facilities, and performance standards are often referred to. If the privatization has been done, on top of purpose of raising money for the

Government, seeking to re-establish a new equilibrium, then the review of regulatory system on these points might be necessary at this moment.

(4) To Cultivate Legal Framework Preparing for Coming E-Commerce/ E-Transaction Days

In order to cultivate legal framework required to promote e-commerce and e-transaction, quick action would be required to bring Electronic Information and Transaction Bill and Trade Law Bill (draft) into laws.

(1) Electronic Information and Transaction Bill

This draft has been under examination among ministries concerned, with the Ministry of Communications and Information as coordinator. And the government recently submitted the draft to the House of Representatives, while it is still unclear when it would be deliberated upon. ("The Jakarta Post" dated October 04, 2004)

The bill covers quite extensive subjects from e-contract to e-signature, from privacy and personal data to intellectual property rights, and from cyber crimes to consumer protection. Although the Bill is said not to be lengthy enough on each subjects, other than cyber crime and e-contract, and so, other subjects would be required to be governed by subsidiary regulations in later days, this is the first initiative of the country to enact a comprehensive legislation on cyberlaw . Once enacted the law will provide basis and impetus for reform or revision of corresponding procedural laws and implementing procedures in such areas as electronic fund transfer, e-transaction, e-government, capital market, online taxation, and online banking, and so forth.

(2) Trade Law Bill (draft)

The draft Trade Law has nine Articles (Article 74-82) on Electronic Transaction which endorse law power of the electronic transaction, requiring for electronic signature, and requiring for the maintenance of the data and information for the same period as in the case of paper documents, and so forth.

Preceding to the introduction of lots of more detailed regulations and guidelines in these connections, those Articles need to be brought into law as quickly as possible.

(5) To Increase Efficiency and Dynamism in Implementing IPR (Intellectual Property Rights) Laws

In the borderless economy at present, a tendency there is that businesses select countries in pursuit of market environments which are attractive to them. And the increasing number of businesses adopt IPR strategy as the core of their corporate management. Thus, if a country establishes IPR system which is attractive to businesses, businesses of the world are expected to come into, stimulating various business activities, which will lead into the economic development of the country.

(Note) "CGI paper" of last October raised the IPR as one of main policy challenges in investment-related areas as follows : "Improving the enforcement of intellectual property rights laws in order to promote high-quality service sector investment."

While Indonesia has introduced laws on most categories of intellectual property rights, it is

often pointed out that actions are yet to be promoted to secure strict enforcement of those IPR laws.

And in increasing efficiency and dynamism in implementing IPR laws, special attention would be necessary to be paid on the following subjects (1) and (2).

(1) Assistance to small/medium businesses and venture capitals :

Compared to large businesses, it will be often the case that small/medium businesses and venture capitals have little awareness or capability to protect and make the best of their technology as intellectual property right, even when their technology is unique or reformative. For the nation's varied and vital economic development, the role of those businesses is important, and it is necessary to promote those businesses' awareness of the importance of IPR. The government is wished to take necessary measures addressed to those businesses, in terms of creation, protection and practical use of IPR, and relevant capacity building.

(2) Improvement of administrative and judicial services :

For the general public in Indonesia, IPR has not been a familiar subject, because of its technological and legal technicalities. Therefore, administration and judiciary are required to listen earnestly to users' demands, towards the realization of IPR-conscious society. To fix legislative details (implementing regulations) of the new IPR laws, and to strengthen relevant institution and judiciary would be both essential initial steps to be taken in line with such broader policy aims. Also, for the time being, it might be an idea to designate particular courts of justice as the expert courts in handling IPR cases. Currently, some IPR laws give jurisdiction to the commercial courts (ie. courts established by the Bankruptcy Act of 1998, under district courts) to examine IPR cases.

It could be an idea to be investigated anew to broaden such a way of thinking for the handling of IPR cases in general.

(6) To Establish (or Improve) Free Trade Zone System

Forward-looking discussions on the establishment (or improvement) of free trade zone system as mentioned in Article 36 of Trade Law draft are wished to be started promptly, following the coming enactment of the Trade Law.

(7) To Establish "New Bonded Warehouse" System

It is understood that Indonesian Customs has promulgated the draft regulation of the Minister of Finance on the New Bonded Warehouse system, to the effect that bonded warehouse facility shall become available for export cargoes, in addition to import cargoes as currently stipulated. It may be appropriate for the government to materialize the introduction of the new system at an early stage.

(Note) At the end of last November, the City of Shanghai revealed its plan to create a "Bonded Port" as a project related with Yangshan deepwater container port to be operational at the end of 2005 at the mouth of the Yangtsu River.

6 square-km land in nearby physical distribution area, and 2.14 square-km land

in Yangshan port will be designated as the “Bonded Port”, as the first one of the sort in China, where users can make use of the privileges of both export processing zone and of bonded area. Processing and finishing of export cargoes will be possible there, and re-stuffing and sorting of LCL (less than container load) cargoes can be done. As a reason for introducing the new system, an official of the City explained “Currently only 1 % of cargoes handled in Shanghai Port is transshipped to other domestic areas. But in the case of coming Yangshan “Bonded Port”, the figure will be raised to 20% or so.” (“Japan Maritime Daily”, December 1, 2004)

(8) G to B Partnership and improvement of communication among agencies by EDI

It is considered important to establish a system to hold regular meeting between government agencies and private users regarding trade process improvements. Coordination with private sector is a step toward an effective reform of customs procedure in the process of EDI development. In addition, government offices are required to coordinate with transparent manner among the customs, Ministry of trade, quarantine and other related agencies.

- Coordination among the Customs, Ministry of Trade, Ministry of Agriculture, Ministry of health and food and other related agencies
- Consideration of compatibility in the development of EDI
- Participation of user opinion in the process of EDI development and process reform
- Regular meeting between government agencies and private users regarding trade process improvements
- Policy for continued maintenance and its responsibility
- Procedure manual by the concept of fail safe at times of system failure
- Compilation of cases by utilizing web-site in collaboration with private participation
- Transparency for process

(9) Further reform effort and Human Resource Development

It is important to reconfirm the code of ethic in compliance with the new president and make effort for the continued improvements in the customs procedure. By preparing application manuals of regulations, including principles to cope with irregularities and EDI-Web based procedures, human resource development become an important for further development. Consultation section should be strengthened with substantial number of dedicated staff and authority, thereby total efficiency is expected to increase.

- Reconfirmation of Code of Ethics
- Establishment of human resource development system in response to the EDI and Web based procedure
- Continued customs reform with regard to the transparency for users
- Compilation of instruction book for the application of regulations

- Inspection manual and improvement planning with standard time in reference to international comparison/standard
- Planning of renewal process of Web-site and increase of staff in the consultation desk
- Establishment of consultation system before application (consultation desk)

(10) Establishment of Organizing and Controlling Committee for monitoring

Survey on trade process time and evaluation by users are the first attempt in Asian countries, therefore similar study is expected to be conducted in major countries in Asia. It is useful to establish a methodology to conduct study on procedures of time survey and evaluation by users. In order to make continuous effort possible, a committee such as Organizing and Controlling Committee should be established in the Coordination Ministry of Economies. It is envisaged to influence international trend to facilitate the overall trade environment of Asia.

- Establishment of standard study process of time survey and evaluation survey
- Evaluation by users of the customs and Ministry of trade for their coordination
- Examination of distribution system including cargo handling and logistics after the customs clearance
- Warning to the corruption of officers
- Monitoring of items agreed by the coordination meeting between Public and Private

Table 4.1.1 Action Plan for Improvement of Legal / Institutional Policy measures

| policy Measures | Action Plans | Outputs | Target Date | Present Status | Executing Agencies | oversight |
|--|--|--|-------------|--|---------------------------------------|---------------------------------------|
| <p>* Comprehensive approach to trade and transport facilitation</p> <p>* Mitigation of institutional, procedural and documentary complexities and inconsistencies.</p> <p>* Enhance application of ICT</p> | Proactive co-ordination and promotion of the actions listed in the following columns of this table as under. | Presidential Decree No.54/2002 | Dec 2007 | <p>The Coordination Team for Enhancing the Smoothness of Export and Import of Goods (“Coordination Team” established by the Presidential Decree) has been active on “stop smuggling”.</p> <p>The Team is wished to take much more comprehensive approach henceforth, to facilitate trade and transportation.</p> | <p>Coordination team,</p> <p>CMEA</p> | <p>Coordination Team,</p> <p>CMEA</p> |
| * “One-stop” (Single Window) Legal System | <p>a. Reduction/abolition of application forms and items of required information, based on through business process review at administrative offices.</p> <p>b. Common use of the same application form to the maximum extent among ministries/agencies, establishing computer networking and data/information sharing system between customs and VIER agencies.</p> <p>c. International standardization of application forms as per FAL Convention.</p> | Decrees or regulations of related ministry or agency each. | Dec2006 | <p>Actions need to be started in progressing :</p> <p>a. reduction/abolition of application forms,</p> <p>b. common use of the same application form, and</p> <p>c. domestic application of FAL Convention.</p> <p>(No action has been taken in these regards.)</p> | CMEA, MoF, MoIT, MoCI, MoT, MoA | CMEA |
| ---- ditto ---- | <p>a. Establish application/ processing by electronic data (paperless processing) as a general rule, including clear prior consulting and appeals procedure pertaining to customs and all VIER agencies.</p> <p>b. Adoption of internationally compatible data formats based on such standard electronic formats as UN/EDIFACT or other standard formats.</p> | Decrees or regulations of related ministries or agencies. | Dec2006 | <p>Substantial progress has been done in this connection, but such pre-conditions as under, for example, need to be satisfied before the One-stop (Single window) system can be in place in its ideal form :</p> <p>* administrative structure to allow over-all paperless (in application, processing, consulting, appealing)</p> <p>* use of internationally compatible data</p> | MoF, MoCI, MoIT, MoT, MoA, | CMEA |

| | | | | | | |
|--|---|--|-------------------------------|--|---|----------------------------|
| | c. Maximize the contribution of e-commerce and ICT business applications to business entities' daily operation. | | | formats, and * development of e-commerce among business entities in Indonesia. | | |
| * Regulatory system to enhance competition and efficiency for public interest. | <p>a. In terms of privatized or concession-contract businesses in transport infrastructure fields, administration is wished to become more involved, through public hearing etc., in the definition and promotion of the "public interest" in pursuit of increased competition and efficiency.</p> <p>b. For example, filing system of tariffs (maximum and actual) and cost structure would be required to support regulatory decisions.</p> <p>c. Comments need to be invited from interested parties (stakeholders) prior to tariff reviews.</p> | Presidential Decree | Jun2005 | The World Bank, in June 2004, published its report saying "As with all economic elixirs, privatization has been oversimplified, oversold, and ultimately disappointing—delivering less than promised." and "In many segments of the transportation sector -----railways, ports, trucking, airlines, interurban busing-----competition within and between modes is sufficient in most countries to justify substantial liberalization and privatization. But the case for privatizing transport network infrastructure is much less compelling than that for privatizing services operating on the network. Rail truck, basic and access port infrastructure, and certain portions of airport facilities, where monopolies are unavoidable and substantial amounts of sunk capital are involved, must be regulated or even operated by the public sector." (Reference : Reforming Infrastructure --- Privatization, Regulation, and Competition / A World Bank Policy Research Report.) Now there may be needs for Indonesia to reflect on its privatization in infrastructures in the recent past. (No action has been taken in this regard.) | Coordination Team, SS, MoT, MoF, MoSOE, KPPU | Coordination Team, CMEA |
| * Legal framework for E-commerce days | Cultivate legal framework preparing for coming e-commerce/ e-transaction days | <ul style="list-style-type: none"> * Trade Law (draft) * Cyberlaw Bill | <p>Dec2005</p> <p>Jun2005</p> | <ul style="list-style-type: none"> * The draft is close to be submitted to the DPR. * The Bill has been submitted to DPR. | <p>MoIT</p> <p>MoCI</p> | CMEA |
| * Intellectual Property Rights | Increase efficiency and dynamism in implementing IPR (intellectual property rights) laws | * To fix legislative details (implementing | Dec2006 | Actions are yet to be promoted to secure strict enforcement of IPR laws. | MoCI, MoJHR | CMEA |

| | | | | | | |
|---|--|---|---------|---|----------------|------|
| | | regulations) of the new IPR laws * To strengthen relevant institutions and judiciary | | | | |
| * Strategic operation of customs' rules | Establish (or improve) Free Trade Zone system | Trade Law (draft), Article 36 | Jun2005 | The draft law is close to be submitted to DPR. Discussion needs to be started in terms of the details of the system | MoF, MoIT, MoA | CMEA |
| * --- ditto --- | Establish "New Bonded Warehouse" system | MOF regulation (draft) | Jun2005 | The draft regulation is at the Minister of Finance. | MoF, MoIT, MoA | CMEA |

(Glossary)

| | |
|-------|---|
| CMEA | Coordinating Minister for Economic Affairs |
| MoA | Ministry of Agriculture |
| MoCI | Ministry of Communication and Information |
| MoF | Ministry of Finance |
| MoIT | Ministry of Industry and Trade |
| MoJHR | Ministry of Justice and Human Rights |
| MoSOE | Ministry of State Owned Enterprises |
| MoT | Ministry of Transportation |
| KPPU | Business Competition Supervisory Commission |
| SS | State Secretariat |

4.2 Action Plan for Improvement of Port System and Infrastructure

4.2.1 Improvement Plan for Import/Export Trade Logistics in Tanjung Priok Port

Based on the analysis of the factors impeding trade facilitation, the study team recommends the following improvement plans for Port infrastructures for import/export logistics in Tanjung Priok port.

(1) Improvement Plan for Deficiencies of Infrastructures

DGSC and IPC-II shall establish the base line of performance index and duly and continuously follow up and monitor these indexes comparing through the collection and observation of accurate data and information of port service and operation.

1) Development Target of Tanjung Priok Port

The DGSC shall set the development policy for improvement of port facilities to meet the following targets.

- i) To make the Tanjung Priok port function as a **“Logistic Center”** in ASEAN regions in order to maintain and enhance the competitiveness of Indonesian industry in the region by providing an attractive business/investment environment.
- ii) To make the Tanjung Priok port function as a **“Regional Hub Port”** not only attracting international trunk lines but also linking them to domestic/inter-island lines.

2) Development Scenario

In order to achieve the above development targets, the following development scenario is considered by the concepts of the best use of the existing facilities and of strategic port development and management.

- i) To increase the port capacity of Tanjung Priok by widening and deepening the existing approach channel and basin inside the port by relocating the existing breakwater and the maximum use of the existing port facilities, which will increase the international container handling capacity of the port up to 3.6 ~ 3.8 million TEUs against the current capacity of around 2.8 million TEUs
- ii) To develop a new container terminal as second port development concept for a twin international container terminal in the region of Tanjung Priok Port area, considering the following points:
 - a) Spatial constraints for new development in the existing Tanjung Priok port and huge cost for new development outside Tanjung Priok port.

- b) Avoiding intensive concentration of cargo traffic especially large container trailers on the roads of the metropolitan area.
- c) Introducing the fair competitive ground of the port services.

iii) Activating Promotion of the Port

- a) IPC-2 should hold meetings with related parties and users such as shipping companies, shippers and consignees
 - To exchange necessary information and viewpoints,
 - To obtain precise information on the shipping market, and
 - To grasp the needs of users.
- b) To clarify the sales points of the port and to reinforce port sales promotion activity to potential users.

iv) Organized Development according to the Proper Master Plan as well as land-use plan

Existing port facilities cannot accommodate future export/import cargo demand. For example, there is not enough space to handle the trade of automobiles in Tanjung Priok. Improvement and/or development of port facilities are urgent, however, an absence of proper planning, evaluation and a coordination system are delaying action.

The long term development plan as worked out with JICA Study in 2002-2003 should be appreciated and implemented the development of the port facilities in phases step by step.

The following projects, particularly are proposed to be executed immediately as the Urgent Rehabilitation Projects.

- a) To develop an automobile terminal with sufficient vehicle stacking space of around 5 ha by optimizing the existing land of redundant use
- b) To formulate a master plan as well as land-use plan of the port as earliest possible in order to prevent unregulated development in the port area.
- c) To produce and keep vacant spaces in the ports, especially for Tanjung Priok, effectively for the future development.
- d) In order to enhance the port capacity the access channel to the port and basin inside the port shall be widened and deepened to make two-way traffic of large ships feasible.
- e) To provide the sufficient area and space for physical checking of cargo by custom office in the adjacent to the custom checking equipment, bonded warehouses, and checking yard for parking trucks and storage of cargo.

- f) IPC 2 shall continue to develop port infrastructure by coordinating with regional development plans, especially economic zone and Inland Container Depot (ICD) between the Tanjung Priok port and the industrial complex located in the east Jakarta area and to provide smooth custom clearance in the ICD areas so that the traffic congestion around the port area will be minimized and encourage trade facilitation process.

As the implementation of the short and long term development plans,

- New port facilities should be developed toward the offshore area by reclamation together with access roads and
- The old and less congested wharfs areas at the bottom of the port should be renovated for port redevelopment area by reclamation.

(2) Improvement Plans for Port Management and Operation

The three container terminals are not linked systematically as to information and data interchange not only for the operation but also for customs clearance. Hence inefficient movement of containers which was observed and recorded in the clause 2.3.3 of the Survey on the time required for processing import/export cargo seems to occur among different terminals.

Considering the near future traffic demands, especially international containers traffic volume through the port it is anticipated that the international trade of container will continue to grow and exceed the capacity by the present arrangement of infrastructural port facilities.

It is essential to improve the port operational and management system by adopting efficient cargo movement. The following suggestions are offered to improve management and operation at the JICT & Koja container terminals.

- 1) Case of JICT and Koja Container Terminal Operation
 - i) In order to improve the handling efficiency of gantry cranes the number of chasses of container carrier shall be increased to transport containers from the apron to the yards by minimizing the idle time of cranes.
 - ii) The terminal gates of JICT 1 and Koja should be integrated and access road between the terminal gate and the overhead highway to be developed as an access to/from the port from/to the hinterland should be developed.
 - iii) The regular maintenance and repairs of container handling equipments are required and necessary spare parts for repairs should be stocked to minimize the idle time of cargo handling operation and ship berthing time.

- iv) The regular training and update the technical skill of technicians of the equipment operators and container planners in the terminal shall be conducted as parts of maintaining the standardized global services qualities.
 - v) The OB system of containers from the yard to transfer to the other yard for temporary shifting which had been practiced for past some times due to the limited storage area in the terminal, as a result additional cost for transporting container and additional custom clearance procedures are required to the cargo owners. This transferring containers operation shall be stopped by utilizing the expanded container yards in the area between the JICT1 and Koja terminal.
- 2) Improvement of Operational Performance of Conventional Terminals
- i) Proposed Reformation by Consolidation of Operators

In order to manage and operate the conventional terminal more efficiently, a future management and operation system is examined and proposed as follows considering the long term development based on the recommended Master Plan of the Tanjung Priok Port.

Generally, conventional terminal should be operated by smaller numbers of operators with sufficient skilled personnel and equipment to provide good service to port users.

To pursue the scale of merit, operators should be grouped into smaller numbers to operate a reasonable number of berths jointly. Therefore, reformation of the current operation structure is required. Reformation of the terminal operators should be carried out by paying attention to the following points.

- a) The new terminal operators will be culled from PT. MTI and 14 terminal operators including other stevedoring companies by the open-tender of IPC-2. And at the same time, it is necessary for high-ranking and competent personnel to be appointed from the new terminal operators to organize a terminal operators' cooperative society.
- b) The new terminal operators should have incentives for efficient management under a system in which the more efficient management is carried out by cost reduction, business improvement and the more profits increase.
- c) The existing operators of conventional terminal should be grouped into smaller numbers to operate reasonable number of berths jointly to pursue the scale merit. It is considered suitable that 5 to 10 berths are available for each terminal operator centering on terminal operators and/or stevedoring with good performance.

From the theoretical point of view, excessive numbers of operator decreases the scale merit in terms of number of available berths for common carriers and this situation causes unnecessary waiting for carriers.

3) Strong Leadership in the Berth Planning and Management by IPC 2

i) Leaderships by IPC2

IPC 2 should take strong leadership in the berth planning and management, for example, the priority of berth use should be given to the ship line company/agents with conditions of slight higher wharf tariff and any stevedoring company can work at the any wharf of berthing ship for cargo handling operation.

This will result to optimum use of vacant berth facility and improve the berth occupancy ratio (BOR) of the Port.

ii) Improvement of Berth Occupancy Ratio of the Conventional Berths

It is recommended the following counter measures to be taken by IPC 2 in order to make an optimum use of vacant berth facility and the improvement of the berth occupancy ratio (BOR) of the port.

- a) To reduce berthing time by changing berth fee collecting from day charge to time charge system. The priority of berth use shall be given to the ship line/agents with conditions of slight higher wharf tariff.
- b) To improve handling productivity at quay side, it can be realized not only by improving gang/crane productivity but also by controlling direct transport to/from the quay side without use of yard/transit shed.
- c) To promote the use of yard/transit shed and to reduce direct delivery ratio of cargo to/from the ports some incentive will be considered necessary.
- d) To establish an effective land traffic management system as well as improvement of roads in/around the port.

iii) Establishment of Effective Training System of IPC 2

- a) To provide good training system for port workers/gangs for improvement of cargo handling efficiency and proper planning of containers in the yard and ships for loading/unloading thereof.
- b) To activate port related organization by introducing such system as Quality Control (QC) circle
- c) To enhance the function of the Port Training Center (PTC)

iv) Proper Maintenance and Rehabilitation of Port Facilities and Equipment by IPC2

- a) The general cargo wharf should be rehabilitated by leveling up of the wharf ground elevation to accommodate larger cargo ships, particularly 50,000 DWT class pure car carriers (PCC). Since due to the settlement of ground the wharf elevation had been sunk gradually, the

clearance between the high water level and the wharf top elevation is not enough to place the ship ramp of PCC on the wharf and to form allowable slop with ramp.

b) The width of apron between the face line of wharf and shed is narrow; some of the unused sheds and warehouse along the cargo wharf should be demolished and used for open storage area of truck parking area, car pool area for loading and unloading.

v) Monitoring Operational Performance of Terminals

a) Establishment of Performance Index of Terminal Operation

The performance index of container terminal operation shall be established at each terminal, JICT 1 and 2, Koja, Seguro, and MTI.

IPC 2 shall monitor the performance of such target index and in case the performance is not fulfilling the target, IPC 2 shall introduce some penalty and supervise operators to comply and rectify the complaints from the users.

The clearer performance indicators should be introduced to supervise the performance of operators. The performance target should be incorporated in the concession agreement or management agreement

IPC 2 and Terminal operators should provide sufficient berth windows for port users such as shipping agency and to increase availability of berth for port users.

This can reduce undesirable waiting time on the sea side as well as on the land side.

b) Improvement of Staff Training of Terminal Operators

The container ships operating on schedule have to sail out leaving dedicated containers which are sent to Singapore to connect the same ship or other mother ship to the final destination.

Users of JICT shall request them that more efforts in the area of preventive maintenance be made.

With the exception of ship's waiting time, all of the above items are rooted in the same problem: namely, lack of proper staff training. The rest are caused by the software and excess labor.

The training curriculum should be reviewed but more important than that is adopting an effective screening process for qualified laborers. It is proposed that a dedicated in-house committee be formed to decide the optimum manning scale.

4) Transparency of Setting Port Related Charge

Almost all kinds of dues and charges in the port are high compared to other ASEAN major ports, such as handling tariff, Terminal Handling Charge (THC), Customs clearance fee etc. Unofficial payment is also sometimes required.

Furthermore, there is a lack of transparency in setting charge for cargo handling, customs clearance etc.

i) Measures of Improvement of Transparency

Leadership of DGSC should be taken for the following measures to increase transparency

- a) To re-examine the existing tariff and port charge system and establish a more appropriate system by referring to tariffs in Asian ports. The current container terminal handling charges which is higher side compared with ports of neighbour countries should be reduced to the same level or less with those of the Asian ports.
- b) Based on the above examination, DGSC should formulate the revised concept/system about tariff and port charge and open it to the public
- c) IPC-2 should show the maximum level of tariff/charge and give terminal operators and/or stevedoring companies a free hand to set actual tariff/charge within the maximum to the users. Transparency of port related charges will result more reasonable charge in the long run.
- d) IPC 2 should set up a claims office to handle cases of excessive charging.

ii) Improvement Measures of Services Quality to meet the Charges

The following aspects to improve the service quality and efficiency should be considered, since the productivity of the quay and cargo handling tariff is less competitive with major international trade ports in Asia.

- a) To reduce the lead time by transshipment of containers
- b) To increase the cargo handling productivity
- b) To eradicate improper container terminal operation
- d) To expand or add container trucks parking space which is insufficient at present in the port.

5) Improvement of current EDI system

It is important to brush up the existing EDI system with close coordination and cooperation of the customs office. EDI service provider can offer complete service such as consulting service related to EDI, introduction and starting EDI, supplying medium resources, operating service, etc. Therefore, it is recommended that IPC2 and related bodies utilize an EDI service provider.

It is recommended the following actions and reduces the charges of use of EDI:

- a) IPC 2 shall improve the utilization of available EDI system as parts of improving efficient business service to port users.

- b) IPC-2 should utilize an EDI service provider as a means of getting information on port activities to analyze berth performance and setting up the information unit together with the development of effective database system
- c) To develop appropriate statistic system and to establish the integrated database system.
- d) To enhance the capability of planning as well as port performance evaluation utilizing the above database system.

(3) Improvement plans of Custom Procedures through the Port

1) Consolidation of Customs Offices in the Port Area

In order to reduce the transit/dwelling time in the port area, the following measures are recommended.

- i) There are 3 customs offices in the port areas, which should be integrated to one customs office for functioning with single window procedure of customs clearance and the efficient custom clearance procedure in accordance with international standards.
- ii) Three container terminals to be linked systematically among them as to information and data interchange for the operation and custom clearance.
- iii) The container terminals gates of JICT 1 and Koja shall be integrated. The access road between the terminal gate and the overhead access highway shall be developed. It is essential to improve the port operational and management system by adopting efficient cargo movement.

2) Disclosure of Information of Custom Procedures

Since decree and notification may sometime be released without notice from the Customs office of the Central Government, it is very difficult for the branch office of the Customs and port users to correspond the revised and new decrees immediately and it may cause confusion as a result.

The information exchange with customs house is going to be sped up by using electronic media through the export and import EDI, but troubles generated on a communication line or a system may lead to a serious problems. The following improvement plans are proposed.

- i) To make people (port users) recognize current situation on legal system of custom clearance
- ii) To utilize more effectively the website or the monthly reports periodical of the customs house, etc. for the dissemination of decrees and notifications on customs clearance procedures.
- iii) To established the system which can facilitate for any individuals to access to all decrees and onther related documents at the public facilities like the library.
- iv) To disclose urgent matter in order to avoid any secondary disabling conditions and disclose timely the facts, method dealing with troubles and restoration time.

- v) To ask the government to disclose the actual applications of PNBPN budget for spending
- vi) To disclose clearly prospective extensions of this system such as establishment of database or disclosure of database in public and way of dealing with troubles, etc.
- vii) To extend the home page services of the customs services and to provide all laws issued by the DGCE in the national library

3) Improvement of Custom Inspection by the Customs Officer

The customs inspection for the containers is carried out under the open air in the yard.

There is the possibility that cargoes get wet when the inspection to be carried out under the rains will cause the deterioration of value of cargoes. The towing charges of container to the customs inspection station is explicit. In order to remedy an inconsistent customs inspection, the following improvement plans are proposed.

- i) To renovate custom inspection station and improve the inspection procedures efficiently
- ii) To make expenditure related to customs inspection transparent and correct unfairness and pricing clear
- iii) To minimize the time loss for the customs inspection by arrangement of inspection time such as the containers towing and allocation of workers by customs broker, specifying the name of inspectors, inspection time on the customs inspection notification documents.

4) Improvement of Procedures Required other than Customs

The process of duplicating same documents for distribution and circulation from one to the other agencies shall be rationalized.

There are not many exceptional regulations for approval and license systems related to the trading in which there is no clear description about period and amount required for the approval and licenses as prepared by other institutions such as MOIT and Tax Office.

The following improvement plans are proposed.

- i) To improve the approvals and licenses system among the other institutions
- ii) To coordinate interpretation of import/export permits among institutions concerned and companies related to trading
- iii) Improvement or elimination of the existing approval systems, Clarifying the existing approval and license systems.

(4) Development of Inland Functional Facilities

Considering the successful arrangement of inland container depots for promoting large volume of

containers to the Laem Chabang port, it is proposed to develop a new inland container depot in an area with easy access to the toll way between the Port and Industry estates/parks located in the eastern parts of Metropolitan Jakarta region.

All custom clearance procedures of export and import cargo should be conducted smoothly and efficiently, and be conducted smooth physical checking of export/import cargo by custom office.

1) Proposal of Development of ICD, Free Trade Zone or Export Processing Zone

Free trade zone or export processing zone has not yet been developed in or adjacent to the Tanjung Priok Port. Such zones are often seen in other Asian ports to attract industry /investment and encourage trade competitiveness among the ASEAN region.

Considering the examples of neighbor countries and improvement of custom procedure services, it is proposed to develop a new inland container depot in an area with easy access to the toll way between the Port and Industry estates/parks located in the eastern parts of Metropolitan Jakarta region with the following functions.

- i) To conduct all custom clearance procedures of export and import cargo smoothly and efficiently, and to implement smooth custom procedures of physical checking of export/import cargo by custom office in the ICD instead of the port area.
- ii) To minimize the traffic congestion in and around the port area by waiting the queue of vehicles to enter the terminal, the access between the port and ICD should be developed by the railway and highway to be connected to the existing facilities.
- iii) The management and operation of the proposed ICD should be worked out by coordination with Railway Company, Shipping Company, IPC 2 and other port related agencies including local government for land arrangement.

2) Development of Special Economic Zone with Close Linkage of the Ports

It is proposed to develop a special economic zone like a free trade zone or export processing zone in adjacent to the port area, like the Laem Chabang Industrial Estate around the Laem Chabang Port area, in which the various merits for export/import industry shall be explored and realized.

Within the special economic zone, free business activities are ensured since tariffs and taxes are exempted on goods brought in while international logistics activities are available to generate high added value through series like processing, assembly, exhibition, sales, etc., like the case of the Port Klang in Malaysia.

As a consequence, Bojonegara new port is expected to operate beyond simple functions like stevedoring and storing but emerge as an international logistics port by developing related sectors such as trade and banking by attracting foreign investment and creating jobs through such international logistics value-added activities.

(5) Enhancement Plan of Port Security

The following improvements for port security measures are required in the short term period to comply with the international maritime agreement (ISPS code).

- 1) To set up a security committee composed of related organization in order to prevent such incident as pilferage in the port
- 2) The committee will meet regularly to discuss problems reported from related offices as well as port users, measures to be taken and recommendation to improve the situation.
- 3) The sufficient hardware will be introduced in the port area for the port security such as fence, necessary number of fixed type and movable type of X ray scans and CCTV to be installed at the proper location with central control facility which can be monitored from a central office, as well as constant surveillance system in actual site.
- 4) The port security level will be set at the security level 3 by the DGSC and MOC according to the ISPS international standard code.
- 5) To strength yard security in the port and to check any containers movement strictly through all procedures by container seal number and its receipt.
- 6) The following facilities to be provided at the Tanjung Priok port as the International Hub port to comply the ISPS code
 - i) X ray checking containers,
 - ii) GPS,
 - iii) CCTV to be installed at gates, cargo yards, port control center and wharf areas to monitor the cargo including container traffic movement.
 - iv) The security plan of the terminal operators to be prepared by the respective terminal operator and submitted to the DGSC, through IPC 2.
- 7) Introduce Automatic Identification System (AIS), by using VHF in order to adopt an automatic positioning detecting system

(6) Improvement Plans for Related Infrastructure

- 1) Road Condition around Gate to Container Yard

For relieving the congestion around the gate to the container yard, expansion or addition of parking space is indispensable. In case it is difficult to extend parking space inside or vicinity of port area, it is necessary to examine the alternative location in the hinterland for extra parking space. In case container location card is distributed and customs procedures are completed at the parking space in or around the port, then, only the state of a container is checked by container seal

number, etc. at the time of entrance at a yard. If these measures are implemented, it can be expected the traffic congestion will be improved around the gate.

2) Road Condition around Empty Container Yard

In order to improve the road condition around the empty container yards, infrastructure improvement such as widening of road or construction of an elevated expressway should be considered as a countermeasure. Apart from the infrastructure improvement, the improvement of empty container depot operation can be considered since the concentration of timing for pickup and return of empty container can be dispersed in case the empty container depot is operated for 24 hours. Traffic control by the police might be also worthwhile to consider as an immediate action.

4.2.2 Action Plan for Improvement of the Port Facilities and Infrastructure

The action plans of the proposed improvement of the port facilities and infrastructures, port management and operation, custom procedures through the port, port safety and security are tabulated according to the categories of outputs by such action, responsible agencies concerned, background and progress up to the October 2004 in the Table 4.2.1 as attached herewith.

Table 4.2.1 Action Plan for Improvement of Import/Export Logistic in Tanjung Priok Port

| No | Policy Measures | Action Plans | Outputs | Target Date | Progress up to October 2004 | Executing Agency | Oversight |
|----|--|---|-------------------------|-------------|--|------------------|-----------|
| 1 | Strategic Policies of Sea Transportation | To revise laws and regulations through the amendment of Law No. 21/1992 on international shipping and ratification of the international Convention on Maritime Lines and Ship mortgage 1993 | Draft Law | 2005-2010 | Through President Instructions No. 5/2003 on Economic Policy Package with IMF Monitoring, This is one of three transportation policies with action plans which have been stipulated by May 2004 | MOC, DGSC | CMEA |
| 2 | Improvement of efficiency of operation, with high competitive strength | To establish the base line of performance index and monitor these indexes duly and continuously through collection of accurate data and information of port service and operation. | Draft Performance Index | 2005-2010 | Through President Instructions No. 5/2003 on Economic Policy Package with IMF Monitoring, This is one of three transportation policies with action plans which have been stipulated by May 2004 | MOC, DGSC, IPC-2 | |
| 3 | Strategic Policy on Port Affairs | 1. To revise laws and regulations to establish efficient port operations with high competitive strength. 2. To enhance the efficiency of port operation through port rating and to perform bench marking with neighbor country ports. 3. To develop port infrastructure through ports knots stipulation | Draft Law | 2005-2010 | Through President Instructions No. 5/2003 on Economic Policy Package with IMF Monitoring, This is one of three transportation policies with action plans, which have been stipulated by May 2004 | MOC, DGSC, IPC-2 | CMEA |

| No | Policy Measures | Action Plans | Outputs | Target Date | Progress up to October 2004 | Executing Agency | Oversight |
|----|--|--|-----------|-------------|--|------------------|-----------|
| | | <p>according to the role and function hierarchy.</p> <p>4. To prepare a port development scheme through the participation of private sector in the development and operation of port business fields</p> | | | | | |
| 4 | Strategic Policies on Safety | <p>1. Increase adequacy and reliability of shipping safety including navigation, port master affairs and sea/coast guarding.</p> <p>2. Fulfill international regulations including STCW1995(International Convention on Standard of Training, Certification and Watch keeping of Seafarers 1995), ASM code and ISPS code</p> | Draft Law | 2005-2010 | <p>“International Convention on Maritime Search and Rescue (SAR Convention) 1979” which become effective since 1985, recommends a contracting Government to establish a ship reporting system for application within its search and rescue region for which it is responsible, where this is considered necessary to facilitate search and rescue operations</p> | MOC, DGSC, IPC-2 | CMEA |
| 5 | Target development policy for improvement of port facilities , and Development of Second port as | <p>1. Tanjung Priok port function as "Logistic Center in ASEAN regions" and "Regional Hub Port" attracting international trunk lines and domestic /inter-island lines.</p> <p>2. Prepare port development scheme through the participation of private</p> | | 2012-2025 | | MOC, DGSC | CMEA |

| No | Policy Measures | Action Plans | Outputs | Target Date | Progress up to October 2004 | Executing Agency | Oversight |
|----|--|--|-------------------|-------------|---|------------------|----------------------|
| | supplement to Tanjung Priok port | sector in the port business fields. | | | | | |
| | | 3. Develop supplemental port to the Tanjung Priok Port as twin ports to cope with the increase of cargo handling capacity (including container) to meet the demands of the hinterland. | Project Implement | 2012-2025 | (1) The DGSC has set the development policy for improvement of port capacity to meet the targets based on the recommendations by the Study for Development of Greater Jakarta Metropolitan Ports by JICA in 2003. | MOC, DGSC | CMEA |
| | | 4. Develop port infrastructure through port knots stipulation according to the role and function hierarchy. | Project Implement | 2006-2012 | (2) The necessary project budget for urgent rehabilitation project of Tanjung Priok port has been arranged by DGSC/MOC and MOF through the JBIC Loan in 2004 March. | DGSC, IPC-2 | CMEA |
| | | 5. To increase the port capacity of Tanjung Priok by widening and deepening the existing approach channel and basin inside the port by relocating the existing breakwater and the maximum use of the existing port facilities, | Project Implement | 2008-2010 | (3) The authorization for development of second port for supplement to the Tanjung Priok port has started administrative process between DGSC and MOC in 2004 | DGSC, IPC-2 | CMEA |
| 6 | Urgent Rehabilitation Project of Existing Port Facilities of | 1. Widened the existing access channel inside/outside the port by relocation of the existing breakwater to make two way traffics. 2. Deepened the depth of channel and | Project Implement | 2008-2010 | The Study for Development of Greater Jakarta Metropolitan Ports by JICA in 2003, this project has recommended as urgent rehabilitation project to implement. The necessary project finance has been arranged | DGSC, IPC-2 | CMEA, MOF, BUMN, MOC |

| No | Policy Measures | Action Plans | Outputs | Target Date | Progress up to October 2004 | Executing Agency | Oversight |
|----|---|---|-----------------------------|-------------|--|--------------------|----------------------|
| | Tanjung Priok | turning basin inside the port to reinforce the port capacity of ship calls and cargo handling volume. | | | by MOC and MOF through the JBIC Loan in 2004 March. | | |
| | | 3. Widened the existing inner port roads and Developing the direct connection between the inner port road and surrounding road of port by flyover to avoid the congestion with city traffic buses and port traffic. 4. Rehabilitate the existing berthing facilities, yard facilities. 5. For the export/import trade of automobiles among the ASEAN region under the AFTA, the exclusive automobiles terminal with proper area of storage, security facility, and access road to the toll way to be developed as the public berthing facility. | Project Implement | 2008-2010 | | DGSC, IPC-2 | CMEA, MOF, BUMN, MOC |
| | | | Project Implement | 2008-2010 | Based on the recommendations by the Study for Development of Greater Jakarta Metropolitan Ports by JICA in 2003, this project was proposed as urgent rehabilitation project. The project was planned to be implemented by private participation with IPC-2 in 2004 March. | MOC, DGSC, IPC-2 | CMEA |
| 7 | Development of ICD(Inland Container Depot), | Develop a new inland container depot in an area with easy access to the toll way between the Port and Industry | Study for Project Implement | 2012 | Based on the recommendations by the Study for Development of Greater Jakarta Metropolitan Ports by JICA in 2003, this | DGLC, DGSC, IPC-2, | CMEA |

| No | Policy Measures | Action Plans | Outputs | Target Date | Progress up to October 2004 | Executing Agency | Oversight |
|----|--|---|-----------|-------------|---|---|-----------|
| | Free Trade Zone Export Processing Zone | estates/parks located in the eastern parts of Metropolitan Jakarta region to conduct all custom clearance procedures of export and import cargo smoothly and efficiently, and to implement smooth physical checking of export/import cargo by custom office. | | | was proposed as parts of the short term development project. | PT.KAI, KIMPRAS WIL, Local Governmen ts | |
| 8. | Improvement of Operational Performance of Conventional Terminals | 1. Proposed Reformation of Operators. 5 to 10 berths for each terminal operator centering on terminal operators and/or stevedoring with good performance. 2. Management and operation of the conventional terminal to be conducted by several operators and to adopt a measure promoting some competition among these units. | Committee | 2006-2012 | The Study for Development of Greater Jakarta Metropolitan Ports by JICA in 2003, proposed to implement this subjects as urgent restoration program of improving port operation and services. | IPC-2 | CMEA |
| 9. | Strong Leadership in the Berth Planning and Management by IPC 2 | 1 Take strong leadership in berth planning and management. (1)The priority of berth use to be given to the ship line company /agents with conditions of slight higher wharf tariff, | Committee | 2006-2012 | The Study for Development of Greater Jakarta Metropolitan Ports by JICA in 2003, proposed this actions as urgent restoration program of improving trade facilitation through the port service. This | IPC-2 | CMEA |

| No | Policy Measures | Action Plans | Outputs | Target Date | Progress up to October 2004 | Executing Agency | Oversight |
|-----|---|--|--------------------------|-------------|---|------------------|-----------|
| | | (2) Any stevedoring company can work at the any wharf of berthing ship for cargo handling operation, (3) Optimum use of vacant berth facility and improve the berth occupancy ratio (BOR) of the Port. | | | suggestion is under consideration to be implemented by IPC-2. | | |
| 10 | Monitoring Operational Performance of Terminals | Introduce clearer performance indicators and target to be incorporated in the concession agreement. | Committee, Draft Indexes | 2006- | The JICA Study in 2003 recommended this as urgent improvement program. The performance index of each container terminal of JICT 1 and 2, Koja, Segoro and MTI shall be established. IPC 2 shall monitor such target index and supervise operators to comply and rectify the complaints from the users. In case the performance is found not fulfilling the target IPC shall introduce some penalty. | IPC-2, MOSWC | CMEA |
| 11. | Achievement of Efficient Customs Clearance | Integrate existing three custom offices inside the port at one location in order to achieve a single window procedure, and the efficient customs clearance procedure in accordance with international standards. | Project Implement | 2006-2008 | The JICA Study in 2003 recommends this arrangement as urgent rehabilitation project. The project was planned to be implemented by IPC-2, DGCE, private sectors. | DGCE, MOF | CMEA |
| 12 | Improvement of | 1 The process of duplicating same | Study, Draft | 2006- | The Study for Development of Greater | IPC-2, | CMEA |

| No | Policy Measures | Action Plans | Outputs | Target Date | Progress up to October 2004 | Executing Agency | Oversight |
|----|------------------------------------|--|----------------------------|-------------|--|------------------|-----------|
| | Utilization of Existing EDI System | <p>documents for distribution and circulation from one to the other agencies to be rationalized,</p> <p>2 Improve the utilization of available EDI system in IPC 2</p> <p>3 Proposed following actions to reduce the charges of use of EDI system for custom clearance.</p> <p>(1) To integrate the existing EDI system with close coordination and cooperation of customs office</p> <p>(2) To utilize an EDI service provider as a means of getting information on port activities to analyze berth performance and setting up the information unit together with the development of effective database system</p> <p>(3) To develop appropriate statistical system and to establish the integrated database system.</p> <p>(4) To enhance the capability of planning as well as port performance evaluation utilizing the above database system</p> | regulations for use of EDI | | <p>Jakarta Metropolitan Ports by JICA in 2003, proposed this subject as parts of improvement of trade facilities.</p> <p>The project was planned to be implemented by IPC-2 and private sectors.</p> | | |

| No | Policy Measures | Action Plans | Outputs | Target Date | Progress up to October 2004 | Executing Agency | Oversight |
|----|------------------------------|--|-------------------|-------------|--|------------------|-----------|
| 13 | Enhancement of Port Security | <p>1 The port security level to be set by the DGSC and MOC at the security level 3 according to the ISPS international standard code.</p> <p>2 The port must comply to have the necessary equipment and facilities at all berths and port areas together with the following arrangement.</p> <p>(1) To set up a security committee composed of related organizations in order to prevent such incident as pilferage in the port.</p> <p>(2) To introduce sufficient hardware for port security such as fence and CCTV, and to be monitored from a central office of the Port, together with a constant surveillance system in actual site.</p> | Draft Law | 2006- | <p>The government of Indonesia, is one of 43 countries which has ratified on July 1, 2004 the International Ship & Port Facility Security code (ISPS code) as amended to the existing provisions of the International Convention for Safety of Life at Sea, 1974 (SOLAS 74) according to the FAL Convention (The Conventions on Facilitation of Maritime Traffic) to enhance maritime security.</p> <p>The approved number of Port Facilities Security Plans (PFSP) were 6 ports with 25 port facilities from Indonesia as of July 23, 2004 including Tanjung Priok port with 7 facilities/terminals..</p> | MOC, DGSC, IPC-2 | CMEA, MOC |
| | | <p>3. The following facilities to be provided at the Tanjung Priok port as the International Hub port to comply the ISPS code</p> <p>(1) X ray checking containers,</p> | Project Implement | 2006- | DGSC, Directorate of Guard and Rescue is responsible of implementation of ISPS code. It is planned that 60% of 141 ports in Indonesia will be provided with security facilities. | DGSC, IPC-2 | CMEA, MOC |

| No | Policy Measures | Action Plans | Outputs | Target Date | Progress up to October 2004 | Executing Agency | Oversight |
|----|------------------------------|--|-------------------|-------------|---|------------------|-----------|
| | | (2) GPS, (3) CCTV to be installed at gates, cargo yards, port control center and wharf areas to monitor the cargo including container traffic movement. (4) The security plan of the terminal operators to be prepared by the respective terminal operator and submitted to the DGSC, through IPC 2. | | | By July 1, 2004 DGSC have issued the tentative Statement of Comply to ISPS code of PFSA for 5 months only to the port offices which submitted the application of compliance of 115 facilities including 6 public ports. | | |
| 14 | Ship Safety | 1 Introduce Automatic Identification System (AIS), by using VHF in order to adopt an automatic positioning detecting system | Project Implement | 2006- | DGSC assigned to the Directorate of Sea Traffic and Sea Transportation as responsible of implementing ISPS code of the ship safety facility. The necessary study has completed in 2002 by JICA TA. | DGSC, IPC-2 | CMEA, MOC |
| 15 | Activating Promotion of Port | 1 Regular meetings to be held with related parties/users such as shipping companies, shippers and consignees to exchange necessary information and viewpoints, to obtain precise information on the shipping market, and to grasp the needs of users. 2 To clarify the sales points of the port and to reinforce port sales promotion | Study, Project | 2006- | This subject was recommendations among the others by the JICA Study for Development of Greater Jakarta Metropolitan Ports in 2003 for improvement of management of port operation and services. Active action plans for the port sales to neighbor countries and port user's countries shall be prepared by IPC 2 management | IPC-2 | CMEA |

| No | Policy Measures | Action Plans | Outputs | Target Date | Progress up to October 2004 | Executing Agency | Oversight |
|----|---|--|-----------|-------------|---|---------------------------|-----------|
| | | <p>activity to potential users.</p> <p>3 Continue to develop port infrastructure by coordinating with regional development plans, especially economic zone and Inland Container Depot (ICD) between the Tanjung Priok port and the industrial complex located in the east Jakarta area and to provide smooth custom clearance in the ICD area.</p> | | | board. | | |
| 16 | Establishment of Effective Training System | <p>1 To provide good training system for port workers/gangs for improvement of cargo handling efficiency and proper planning of containers in the yard and ships for loading/unloading thereof</p> <p>2 To activate port related organization by introducing such system as Quality Control (QC) circle</p> <p>3 To enhance the function of the Port Training Center (PTC)</p> | Committee | 2005-2010 | <p>(1) The lower productivity and cargo handling efficiency are rooted by lack of proper staff training of terminals. The training curriculum should be reviewed.</p> <p>(2) The more important subject is adopting an effective screening process for qualified laborers.</p> <p>(3) It is proposed that a dedicated in-house committee be formed to decide the optimum manning scale.</p> | IPC-2, Terminal Operators | CMEA |
| 17 | Improvement Measures for Management and Operation | <p>1 Container terminal Price to be set in a competitive manner according to the operational skill and cost.</p> <p>2 The three terminals to be linked</p> | Committee | 2005- | It is anticipated that the international trade of container will exceed the capacity of the port by the present arrangement of infrastructural port | MOC, DGSC, MOSOC, IPC-2 | CMEA |

| No | Policy Measures | Action Plans | Outputs | Target Date | Progress up to October 2004 | Executing Agency | Oversight |
|----|-----------------|--|---------|-------------|---|------------------|-----------|
| | | systematically among them as to information and data interchange for the operation and for customs clearance. Proposed following actions to improve management and operation of container terminals. | | | facilities. It is essential to improve the port operational and management system by adopting efficient cargo movement. The action plans was proposed based on the JICA Study for Development of Greater Jakarta Metropolitan Ports in 2003. It was reported that OB system was abandoned by JICT/Custom offices in 2004 | | |
| | | (1) The terminal gates of JICT 1 and Koja to be integrated, the access road between the terminal gate and the overhead access highway to be developed, | | 2005- | | IPC-2, JICT | CMEA |
| | | (2) The regular maintenance and repairs of container handling equipments to be conducted and necessary spare parts for repairs to be stocked to minimize the idle time of cargo handling operation and ship berthing time. | | 2005- | | JICT | CMEA |
| | | (3) The regular training and update the technical skill of technicians of equipment and container planners to be conducted for maintaining the standardized global services qualities. | | 2005- | | IPC2, JICT | CMEA |
| | | (4) The OB system of containers from | | 2005- | | DGCE, JICT | CMEA |

| No | Policy Measures | Action Plans | Outputs | Target Date | Progress up to October 2004 | Executing Agency | Oversight |
|----|-----------------|---|---------|-------------|-----------------------------|------------------|-----------|
| | | the yard to transfer to the other yard for temporary shifting to be stopped, and The open area between the JICT1 and Koja terminal to be expanded for container yards. | | | | | |

4.3 Improvement Plan for Airport System and Infrastructure

Based on the analysis of factors impeding trade facilitation, the study team recommends the following improvement plan for airport system and infrastructure in Soekarno-Hatta International Airport

1. Improvement of the Import Cargo Handling Area

The existing import cargo handling area does not have enough space to break down ULD cargoes and also to perform arrival-cargo-check efficiently, smoothly and safely. Also, under present conditions, there are many ULD cargoes to be held temporarily outside the bonded warehouse facility not only due to the space shortage of ULD cargo breakdown area but also due to the space shortage of total import bonded warehouse, which constitutes the main cause of wet cargo damage, especially during the rainy season.

(1) Necessary Action in the Short Term

In order to improve the space shortage of the existing import cargo handling area, the following measures are recommended.

- 1) In order to store import cargoes more effectively, effective utilization of three-dimensional warehouse space is necessary by setting up "mobile-type racks" or more appropriate high-rise racks.
- 2) In order for PT. Garuda and PT. JAS to be able to handle larger volume of import cargoes more efficiently, speedily and safely, promotion of delivery of import cargoes by ULD is necessary by expanding and renovating the existing import truck dock platform.
- 3) In order to minimize the storage volume of "long-term-storage import cargoes," effective control and proper handling of such cargoes are necessary according to the contract of carriage and other related laws and regulations.

2. Improvement of the Import Truck Dock Platform

The existing import truck dock platform space (depth: 4m) is too narrow for a forklift to move back and forth or turn around smoothly when loading of import cargoes onto the truck, even during non-peak time of import cargo handling. But when it comes to peak time, the truck dock platform becomes too crowded with released import cargoes and has no space for people (= consignees or their customs brokers or truckers) to pass through the truck dock platform. Also there is no space to deploy a necessary number of forklifts flexibly as the need arises. Therefore, it is the real situation that most of the physical cargo handling work, such as loading of import cargoes onto the truck, is relied on the manpower of clients (= consignees or their customs brokers or truckers) instead of forklifts.

Furthermore, since the structural style of the existing truck dock is quite outdated, the height of the truck dock platform cannot be changed to the height of the truck bed. Moreover, the existing truck dock platform (for medium-size truck) has not been designed with the consideration of small-size or large-size truck, especially the wing type large-size truck which is mainly in use in other major countries in Asia.

These truck dock problems are serious bottlenecks to promote the delivery of import cargoes by ULD and to ease the congestion of truck docks as well as parking lot for trucks waiting for pick-up of released import cargoes. Not only that, this truck dock problem is also causing a secondary shortage problem of cargo handling equipment such as forklifts.

(1) Necessary Action in the Short Term

In order to improve the existing import truck dock platform, the following measures are recommended.

- 1) Expansion of the existing import truck dock platform space is necessary so as to be able to deploy a necessary number of forklifts flexibly as the need arises.
- 2) The renovation of truck dock platform is necessary by setting up levelators so as to be able to adjust the height of the truck dock platform to that of the truck beds or by changing the structural style of the truck dock platform so as to be able to respond especially to the wing type large-size truck.
- 3) Promotion of delivery of import cargoes by ULD as many as possible at the bonded warehouses in the airport is necessary by enhancing the function of forwarder's bonded warehouse outside the airport in order to relax the congenial congestion of the truck dock and also to enable PT. Garuda and PT. JAS to handle larger volumes of import cargoes more effectively, speedily and safely.

3. Improvement of the Shortage of Cargo Handling Equipment

In the normal cargo handling such as loading or unloading of cargoes onto or from the trucks, forklifts are used, but in Soekarno-Hatta International Airport, most of such physical cargo handling work is performed relying on the manpower of clients instead of forklifts. As already mentioned, the existing truck dock platform does not have enough space to deploy a necessary number of forklifts flexibly, which therefore causes a secondary shortage problem of cargo handling equipment.

(1) Necessary Action in the Short Term

In order to improve the shortage of cargo handling equipment, the following measures are recommended.

- 1) Expansion of the existing truck dock platform space is necessary so as to be able to deploy a necessary number of forklifts flexibly as the need arises.

- 2) Also renovation of the truck dock platform is necessary by setting up levelators so as to be able to adjust the height of the truck dock platform depending on the height of the truck beds or by changing the structural style of the truck dock platform so as to be able to respond especially to the wing type large-size truck.

4. Enhancement of Total Quality Control of Air Cargo Services

For the past 10 years, the concept of Just-In-Time (JIT)) has become dominant throughout the world. In air cargo transportation, reliability, accuracy, safety, swiftness, and at an appropriate cost are very important factors. Also, many enterprises, especially Japanese-affiliated companies require a high-quality standard of air cargo services.

However, many complaints have been raised against cargo traffic handling irregularities, especially against wet cargo damage caused during the rainy season. Main cause of the wet cargo damage at Soekarno-Hatta International Airport lies in the shortage of total import bonded warehouse space rather than being the human factor. Under the existing bonded warehouse conditions, there are many ULD cargoes to be held temporarily outside the bonded warehouse facility not only due to lack of the ULD cargo breakdown area but also due to lack of total import bonded warehouse spaces. Moreover, since the lengths of the existing bonded warehouse eaves are too short, it is impossible to protect ULD cargoes from wet-damage, especially during the rainy season.

And much of the broken cargo damage occurs by rough and careless handling of warehouse workers, especially concerning precision machinery such as electric and electronic parts and goods. This is obviously caused due to a lack of thinking toward the safety and maintenance control in addition to the fundamental code of professional ethics of warehouse workers.

Furthermore, at the time of bond-in check of export cargoes and also at the time of buildup check of export cargoes onto ULDs, there are cases where AWB number checks, piece counts and destination checks are not properly performed, which cause a serious cargo traffic handling irregularity such as cross-forwarding of cargoes to wrong destinations.

(1) Necessary Action in the Short Term

In order to prevent cargo traffic handling irregularities such as wet cargo damage, broken cargo damage, cross-forwarding of cargoes, etc. the following measures are recommended.

- 1) In order to prevent wet cargo damage caused during the rainy season, it is necessary to elongate the eaves of the existing bonded warehouse or to set up a bonded shelter with canopy utilizing the idle or sleeping land on the apron side as an emergency evacuation temporary measure until the completion of a new cargo terminal facility

- 2) In order to prevent broken cargo damage caused by rough and careless handling of warehouse workers, more effective internal education and training programs dealing with the safety and maintenance control in addition to the fundamental code of professional ethics should be conducted and enhanced toward warehouse workers.
- 3) In order to prevent cargo traffic handling irregularity such as cross-forwarding etc., it is essential to collate cargoes and documents thoroughly by each AWB number. In performing physical warehouse work, the most important thing to remember is "to start with a check and end with a check." But the more effective and substantial way to solve these kinds of problems are to introduce a "wireless bar code system." By doing so, it is possible to eliminate various kinds of cargo traffic handling irregularities caused by a misidentification of AWB number, manual posting/input error of data, etc. and also to eliminate the duplication of manual posting/input work of data.
- 4) In order to reduce cargo traffic handling irregularities such as wet cargo damage, broken cargo damage, cross-forwarding of cargoes, etc. enhancement of the "total quality control" of air cargo services is necessary

5. Improvement of Lighting Setup in the Airport Bonded Warehouses

The existing lighting is too poor for warehouse workers to perform documents and cargo handling effectively in the bonded warehouse. Such inadequate lighting not only worsens the warehouse work environment, but also has a high possibility of misidentifying AWB number of labels or marks on cargo, which, as the result, may lead to the occurrence of a serious cargo traffic handling irregularity such as loading error of export cargoes onto ULD, etc. Also such inadequate lighting may become a factor which promotes the occurrence of suspicious pilferage in the bonded warehouse.

(1) Necessary Action in the Short Term

In order to improve lighting in the airport bonded warehouse, the following measures are recommended.

- 1) In order not only to improve the work environment in the airport bonded warehouse, but also to prevent the cargo traffic handling irregularity such as loading error of export cargoes onto ULD, etc. and also in order to eliminate an environment leading to the possibility of occurrence of pilferage, improvement of insufficient lighting in the bonded warehouses is necessary by increasing the number of lighting or by changing the lighting system.
- 2) Where possible, work areas in the bonded warehouse should also have access to daylight through windows in the roof, which will reduce energy costs and improve working conditions.

6. Improvement of Traffic Congestion in the Parking Lot

The parking lot for trucks waiting for pick-up of released import cargoes becomes too crowded when it comes to peak time of import cargo handling, which makes it difficult for cargo vehicles to move smoothly.

(1) Necessary Action in the Short Term

In order to improve the traffic congestion and to make the flow of trucks smooth in the parking lot, the following measures are recommended.

- 1) In order to improve the traffic congestion, it is necessary to change the flow of vehicular traffic from both way to "one-way traffic" and to restrict the entrance number of trucks into the parking lot depending on the situation of traffic congestion.
- 2) In order to make the flow of trucks smooth, it is necessary to establish a passing lane for vehicles by drawing a white line or a yellow line.
- 3) In order to improve the traffic congestion during peak time of import cargo handling, the temporary parking lot space near the existing parking lot needs to be utilized effectively.

7. Effective Control and Proper Handling of "Long-Term-Storage Import Cargoes"

Import cargoes which elapsed one month or more after the arrival at Soekarno-Hatta International Airport are to be transferred as "long-term-storage import cargoes" from the bonded warehouses of PT. Garuda and PT. JAS to the Customs Bonded Warehouse. But it is in a difficult situation to find more space to accommodate such cargoes in the Customs Bonded Warehouse, since many "long-term-storage import cargoes" have already been stored in the Customs Bonded Warehouse,.

As a result of such a situation, these "long-term-storage import cargoes", which are so called "Sleeping Cargo", are obliged to be stored in the bonded warehouses of PT. Garuda and PT. JAS under the direct instruction and supervision of the airport customs and they have come to occupy too much space in the bonded warehouses. Moreover, many of such cargoes stored in the bonded warehouses of PT. Garuda and PT. JAS have been gathering dust and occupying the space beyond necessity because they have not been controlled sufficiently and stored effectively.

According to the data of the airport customs about the on-hand volume of "long-term-storage import cargoes" which have been accommodated in the Customs Bonded Warehouse, there are 2,698 cases, 6,090 pieces, 137,310.38 kg as of June 2004. But the figure does not include the on-hand volume of "long-term-storage import cargoes" which have been stored in the bonded warehouses of PT. Garuda and PT. JAS under the instruction and supervision of the airport customs.

Since "long-term-storage import cargoes" in the Customs Bonded Warehouse have not been controlled properly by storage location, it is an almost impossible situation to look for a specific cargo once they are transferred from the bonded warehouse of PT. Garuda or PT. JAS to the Customs Bonded Warehouse.

(1) Necessary Action in the Short Term

In order to enhance effective control and proper handling of "long-term-storage import cargoes," the following measures are recommended.

- 1) In order to enhance the control of "long-term-storage import cargoes", control of such cargoes by storage location is absolutely necessary in addition to present control items
- 2) In order to minimize the storage volume of "long-term-storage import cargoes," enhancement of proper handling of such cargoes is necessary according to the contract of carriage and other related laws and regulations.
- 3) In order to minimize the storage volume of "long-term-storage import cargoes," higher storage charges for cargo of lengthy storage period could be considered and implemented in addition to the above two countermeasures.

8. Facilitation of Release of Import Cargoes Requiring Longer Time

At present, there are complaints from clients saying that the time from arrival of aircraft to release of goods takes too long.

According to the results of the time measurement for export and import processes, the average time of 67 hours 59 minutes were used up only for the process interval between the notice of Red Channel and the start of customs cargo inspection as against the average total time of 117 hours for that between Submission of PIB and Issuance of SPPB. Since the longest time was spent on processing of this portion, the process portion is considered that an improvement is required.

On the other hand, according to the hearings by way of questionnaires and interviews with airfreight forwarders and customs brokers, strong dissatisfactions were indicated toward the present situation of the customs cargo inspections. Because it is very difficult to get in touch with customs officers in charge and takes too much time for making an appointment for the presence of customs inspections due to circumstances of absence or shortage of customs officers.

(1) Necessary Action in the Short Term

In order to facilitate the release of import cargoes requiring longer time, the following measures are recommended.

- 1) Improvement in the quality of customs personnel's services is necessary by enabling every customs personnel on duty to respond impartially and efficiently to every case.
- 2) In order to minimize the extra contacting time as much as possible from the side of consignee or its customs broker to the customs officer in charge for making an appointment for the presence of customs cargo inspection, it is necessary to notify the consignee or its customs broker of the time and date for the customs inspection at the time of designation of Red Channel in addition to the name of customs officer in charge.
- 3) In order to facilitate the handling of customs inspections, a necessary number of customs officers should be deployed by reviewing the real situation of the present system of customs personnel's shift.

9. Enhancement of Import Cargo Control and Storage System

At present, cargo arrival checks are performed by warehouse workers based on the hard copies of cargo manifests. And the arrival-check-data entered on the cargo manifest by warehouse workers is fed into computers manually in the office later. But the present data processing method not only takes a lot of time but also causes duplication of manual input work of Air Waybill numbers, and also hides a high possibility of data-input errors of Air Waybill numbers, arrival checks and storage locations of import cargoes, etc. Furthermore, these kinds of data-input errors will lead to serious cargo handling traffic irregularities such as delivery errors and delivery delays of import cargoes, etc.

(1) Necessary Action in the Short Term

In order to enhance the import cargo control and storage system, introduction of "Wireless Bar Code System" is highly recommended. The data processing which includes arrival check, temporary storage, release of import cargoes, etc. is a very important area where computerization is absolutely necessary. And computerization is recommended to be introduced as a local computer system intends to be on-line-interfaced with the main computer system. By doing so, a greater effect is expected as follows:

- 1) Prevention of various kinds of cargo traffic handling irregularities such as delivery errors and delivery delays of import cargoes etc, which are caused by posting/input errors of data
- 2) Elimination of duplication in manual posting/input work of data
- 3) Speedy and accurate processing of data such as arrival checks, storage locations and deliveries of import of cargoes.
- 4) Accurate, speedy and effective control and storage of import cargoes in the bonded warehouse.

10. Enhancement of the Function of Forwarder's Bonded Warehouse outside the Airport

Since June 2001, airfreight forwarders have been permitted to have their own bonded warehouse outside the airport.

Regarding the bonded transportation of import cargoes, that is, the bonded transportation from the bonded warehouse of PT. Garuda or PT. JAS in the airport to the forwarder's bonded warehouse outside the airport is permitted only for BULK cargoes after breakdown of import ULD cargoes at the bonded warehouse in the airport, but the bonded transportation of ULD cargoes is not permitted.

While, in respect to the bonded transportation of export cargoes, that is, the bonded transportation from the forwarder's bonded warehouse outside the airport to the bonded warehouse PT. Garuda or PT. JAS in the airport is not permitted for all export cargoes (BULK/ULD cargoes). In other words, all export cargoes must be brought into the bonded warehouses in the airport and the buildup of export cargoes onto ULDs is to be carried out in the bonded warehouse in the airport only by PT. Garuda or PT. JAS.

Originally, the function of the bonded warehouse in the airport and that of the forwarder's bonded warehouse outside the airport are different. The main function of the former is to deliver more cargoes as swiftly as possible by ULD without breaking down the import ULD cargoes in the airport. The main function of the latter is to pick up ULD cargoes in the airport as quickly as possible and transport the ULD cargoes in bond to their own bonded warehouse outside the airport and import customs clearance should be made at the forwarder's bonded warehouse in compliance with the request of the respective consignee, as the case may be.

(1) Necessary Action in the Short Term

In order to enhance the function of forwarder's bonded warehouse outside the airport, the following measures are recommended.

- 1) In view of the present situation of the bonded warehouse facilities of PT. Garuda and PT. JAS and also the increase of the future air cargo demand, the bonded transportation of export and import cargoes by ULD between the bonded warehouse in the airport and the forwarder's bonded warehouse outside the airport is essential. In order to do so, an early solution and improvement of these institutional problems are necessary. Reviewing and improving these institutional problems will lead to improve the efficiency for existing infrastructure and utilities and to open up sectors to greater private sector participation and to facilitate the trade and investment activities in Indonesia.
- 2) Regarding the export cargoes, improvement is necessary so as to be able to build up onto ULD at least concerning "lot cargoes" at the forwarder's bonded warehouse outside the airport. For that purpose, an early solution and improvement of these institutional

problems are necessary. To do so will enable PT. Garuda and PT. JAS to handle larger volume of cargoes more speedily, efficiently and safely.

- 3) At the bonded warehouse in the airport, promotion of the acceptance of export cargoes and the delivery of import cargoes by ULD is essential. In order to do so, an early solution and improvement of these institutional problems are necessary. At the same time, expansion and renovation of truck dock facilities of the bonded warehouse in the airport is also necessary.

11. Improvement of the Situation of Transporting Cargoes between Japan and Indonesia via Singapore, Bangkok and Kuala Lumpur

At present, a lot of cargoes between Japan and Indonesia are carried via third countries.

The first reason why many cargoes between Japan and Indonesia are carried via third countries is due to the fact that the capacity (supply) of air cargo transportation between Japan and Indonesia is not enough, because there is no direct freighter service between Japan and Indonesia.

The second reason is that many regulatory problems, actions and restrictions in respect to trade related systems and procedures still exist in Indonesia.

In Malaysia, for example, the "Concepts of User-Friendly", "Free Commercial Zone" etc. has already spread, especially in the field of trade related systems and procedures. From this viewpoint, Malaysia is a model country, which has already overcome these kinds of problems that Indonesia is still facing now.

Regrettably, it is a real situation that the scale and cargo handling capacity of the existing air cargo terminal in Soekarno-Hatta International Airport is inferior in many respects compared with those of Kuala Lumpur International Airport in Malaysia and Bangkok International Airport in Thailand, where we conducted trade environment investigation as the close-related third countries with Indonesia.

(1) Necessary Action in the Short Term

In order to improve the situation, the following measures are recommended.

- 1) In order to improve the investment environment from foreign countries to Indonesia, it is required to reform drastically the bureaucracy with much red tape, to raise transparency, and to become "an attractive country."
- 2) The most important thing for the Indonesian government is observing, for her guidance, as many real situations of cargo terminal facilities in foreign countries as possible including the neighboring countries of South East Asia such as Bangkok International Airport in Thailand and Kuala Lumpur International Airport in Malaysia. And it is necessary to improve the "total physical distribution system" which covers all of the air

cargo services "from the arrival of aircraft to the delivery of cargoes to consignees" and "from the acceptance of cargoes from shippers to the departure of aircraft" by listening to the opinions and comments from the private sector as broadly as possible.

- 3) At present PT. Angkasa Pura II has a plan to make the Air Cargo Transshipment Village in a bonded zone, in which area includes offices, export-import storage, and soft industries producing air cargo items as a part of the concept of creating Soekarno-Hatta International as a hub cargo terminal. Therefore, it is necessary to solve the unsolved problems related with trade and investment facilitation policies during the course of the realization of the above Air Cargo Transshipment Village concept.

12. Improvement of Mind toward Safety and Maintenance Control

There are cases where ULD cargoes with container's door open are carried by dollies. This situation is caused due to a lack of thinking toward safety and maintenance control and also a lack of the fundamental code of professional ethics of the workers. In the event that any of the ULD cargoes being dropped on the way from inside of the ULD on the dollies, it is very dangerous and may lead to the occurrence of cargo damage or other accident. It is highly expected that the handling volume of precision machinery such as electrical and electronic parts and goods to be carried by air will increase from now on. In this sense, a solution to this kind of problem is very important.

(1) Necessary Action in the Short Term

In order to improve the situation where ULD cargoes with container's door open are carried by dollies, more effective internal education and training programs dealing with the safety and maintenance control in addition to the very fundamental code of professional ethics need to be carried out and strengthened toward warehouse workers.

13. Prevention of Cats from Coming inside the Bonded Warehouse Facility

Every time when visiting the bonded warehouse of the Cargo Terminal in Soekarno-Hatta International Airport, several cats can be seen in the bonded warehouse facilities even in the daytime. This situation cannot exist in other countries. From a sanitary and safety control point of view against human and cargoes (food, etc.), this situation cannot be left as it is.

(1) Necessary Action in the Short Term

In order to eliminate any possibility of leading to the occurrence of cargo damage caused by cats in the bonded warehouse and also to eliminate any problem against human and cargoes (food, etc.) from a sanitary and safety control point of view, some proper countermeasures need to be taken to prevent cats from coming inside the bonded warehouse facility in the airport

14. Enhancement of Airport Security

Pilferage cases occur frequently in Indonesia, even in the airport bonded warehouses of PT. Garuda and PT. JAS, especially concerning high-valued goods. Pilferage cases are a serious problem to the consignee and its customs broker. Present security countermeasures taken in the existing airport bonded warehouse are not sufficient. Under the present condition of the cargo terminal, it is very difficult to prevent and detect pilferage cases, especially when it comes to the case of inside jobs.

Moreover, under the existing cargo terminal condition, there is a possibility that outsiders can easily steal into the crowded bonded warehouse and also access the apron side of the cargo terminals. The September 11th tragedy in New York (2001) and subsequent Bali bombing incident (2002) motivated us to keep improving alertness and readiness. Therefore, it is necessary to review the present security measure in order to improve the security measure in the airport as a whole including the cargo terminal.

(1) Necessary Action in the Short Term

In order to enhance security, the following measures are recommended.

- 1) In order to solve the problem of pilferage, it is necessary to install a necessary number of surveillance cameras in the bonded warehouse so that the movement of people and others in the bonded warehouse facilities can be monitored and recorded, and also can be traced at a later date as the case may be.
- 2) In order to eliminate an environment leading to the possibility of occurrence of pilferage, it is necessary to improve lighting setup in the existing bonded warehouses of PT. Garuda and PT. JAS by increasing the number of lighting or by changing the lighting system.
- 3) In order to enhance the airport security as a whole including the Cargo Terminal, it is necessary to review the present security check system against people who access the inside of the bonded warehouse facilities.

15. Construction of a New Cargo Terminal

As already mentioned, the existing bonded warehouse facility is already too narrow and the structural style of the warehouse is too outdated to handle international cargoes efficiently, smoothly and safely. The existing Cargo Terminal facility of Soekarno-Hatta International Airport is inferior in many respects compared to those of Bangkok International Airport in Thailand and Kuala Lumpur International Airport in Malaysia.

The expansion and renovation of the existing bonded warehouses are essential but these will be merely an emergency evacuation temporary countermeasure until a new cargo terminal is constructed. The construction of a new cargo terminal with more state-of-the-art equipment,

facilities and more user-friendly warehouse work environment is essential in order to cope with the increase of future cargo demand as a hub cargo not only in Indonesia but also in Asia.

(1) Necessary Action in the Medium and Long Term

In designing and building a new cargo terminal, it is necessary to take into consideration the following:

- 1) In order to acquire the information and guidelines necessary for new cargo terminal facility planning, it is required to observe as many real situations of cargo terminal facilities in foreign countries as possible including the neighboring countries of South East Asia such as Bangkok International Airport in Thailand and Kuala Lumpur International Airport in Malaysia
- 2) In order to construct a new cargo terminal building facility with more state-of-the-art equipment, facilities and more user-friendly warehouse work environment and also with other related facilities, such as agents/forwarders facilities, customs offices and other office blocks, as well as free-trade zone facilities, etc., on landside areas of the cargo terminal complex, without impeding the cargo flow, traffic and parking, it is required to listen to the opinions and comments from the private sector as broadly as possible.
- 3) In deciding the size of a new cargo terminal building facility, it is necessary to take into consideration the factors such as busy-hour passengers and aircraft movements in addition to busy-hour cargoes and cargo aircraft movements, and cargo and vehicle's flow lines.
- 4) In constructing a new cargo terminal, it is necessary to divide the time frame into Phase One (2005-2009), Phase Two (2010-2015) and Final Phase (After 2016) and to consider taking a long-term view in order to acquire the greatest effect with minimum investment and also to allow possibilities for future expansion,
- 5) In order to cope with the increase in future cargo demand and also in view of the present situation of the bonded warehouse facilities of PT. Garuda and PT. JAS, an early start of full-fledged planning and implementation of Phase One is indispensable.
- 6) In order to utilize the old investment portion to the maximum extent and to minimize unnecessary future investment, formulation of an effective reusable plan of the existing site and cargo terminal facilities are also very important.

4.3 Improvement Plan for Airport System and Infrastructure

| | [A] | [B] | [C] | [D] | [E] | [F] | [G] | |
|-----|---|---|--|-------------|---|--------------------------------------|-----------|--|
| NO. | Policy Measures | Action Plans | Outputs | Target Date | Progress up to May 2004 | Executing Agencies | Oversight | |
| 1 | Improvement of the Import Cargo Handling Area | a. Effective utilization of three-dimensional warehouse space | * Setup of mobile-type racks or appropriate high-rise racks | Mar 2006 | The existing import cargo handling area does not have enough space to break down ULD cargoes and also to perform arrival-cargo-check efficiently, smoothly, and safely. Under present conditions, there are many ULD cargoes to be held temporarily outside the bonded warehouse facility not only due to space shortage of ULD cargo breakdown area but also due to the space shortage of total import bonded warehouse, which constitutes the main cause of wet cargo damage, especially during the rainy season. | PT. A.P. II PT. Garuda PT. JAS | CMEA | |
| | | b. Promotion of delivery of import cargoes by ULD | * Expansion and renovation of the existing import truck platform | | | | | D.G.C.E. PT. A.P. II PT. Garuda PT. JAS |
| | | c. Effective control and proper handling of "long-term-storage import cargoes" | * Effective control of such cargoes by storage location in addition to present control items * Proper handling according to contract of carriage and other related laws and regulations | | | | | D.G.C.E. PT. Garuda PT. JAS |
| 2 | Improvement of the Import Truck Dock Platform | a. Deployment of a necessary number of forklifts | * Expansion of the import truck dock platform space | Mar 2006 | The existing import truck dock platform space is too narrow for a forklift to move back and forth or turn around smoothly when loading of import cargoes onto the truck, even during non-peak time of import cargo handling. But when it comes to peak time, the truck dock platform becomes too crowded with released import cargoes and has no space for people (=consignees or their customs brokers or truckers) to pass through the truck dock platform and also | PT. A.P. II PT. Garuda PT. JAS | CMEA | |
| | | b. To enable the truck dock platform to adjust to the height of truck beds | * Setup of levelators | | | | | |
| | | c. To enable the truck dock platform to respond especially to the wing type large-size trucks | * Change of the structural style of the truck dock platform | | | | | |

4.3 Improvement Plan for Airport System and Infrastructure

| NO. | [A] Policy Measures | [B] Action Plans | [C] Outputs | [D] Target Date | [E] Progress up to May 2004 | [F] Executing Agencies | [G] Oversight |
|---|---|---|---|--------------------|--|--|------------------|
| | | c. Promotion of delivery of import cargoes by ULD | * Enhancement of the function of forwarder's bonded warehouse outside the airport | | there is no space to deploy a necessary number of forklifts flexibly as the need arises. Therefore, it is the real situation that most of the physical cargo handling work, such as loading of import cargoes onto the truck, is relied on the manpower of clients instead of forklifts. Furthermore, since the structural style of the existing truck dock is quite outdated, the height of the truck dock platform cannot be changed to the height of the truck bed. Moreover, the existing truck dock platform (for medium-size truck) has not been designed with the consideration of small-size or large-size truck, especially the wing type large-size trucks which are mainly in use in other major countries in Asia. | D.G.C.E. PT. A.P. II PT. Garuda PT. JAS | |
| 3 | Improvement of the Shortage of Cargo Handling Equipment | a. Deployment of a necessary number of forklifts | * Expansion of the truck dock platform space | Mar 2006 | In the normal cargo handling such as loading or unloading of cargoes onto or from the trucks, forklifts are used, but in Soekarno-Hatta International Airport, most of such physical cargo handling work is performed relying on the manpower of clients instead of forklifts. As already mentioned, the existing truck dock platform does not have enough space to deploy a necessary number of forklifts flexibly, which therefore causes a secondary shortage problem of cargo handling equipment. | PT. A.P. II PT. Garuda PT. JAS | CMEA |
| b. To enable the truck dock platform to adjust to the height of truck beds | * Setup of levelators | | | | | | |
| c. To enable the truck dock platform to respond especially to the wing type large-size trucks | * Change of the structural style of the truck dock platform | | | | | | |

4.3 Improvement Plan for Airport System and Infrastructure

| NO. | [A] Policy Measures | [B] Action Plans | [C] Outputs | [D] Target Date | [E] Progress up to May 2004 | [F] Executing Agencies | [G] Oversight |
|-----|--|---|---|--------------------|---|--|------------------|
| 4 | Enhancement of Total Quality Control of Air Cargo Services | a. Prevention of wet cargo damage | * Elongation of the eaves of the existing bonded warehouse | Mar 2006 | Many complaints against cargo traffic handling irregularities have been raised, especially against wet cargo damage caused during the rainy season. Under the existing bonded warehouse situation, there are many ULD cargoes to be held temporarily outside the warehouse facility because of the shortage of ULD cargo break-down area and also lack of the total import bonded warehouse space. Moreover, since the lengths of the existing bonded warehouse eaves are too short, it is impossible to protect ULD cargoes from wet-damage, especially during the rainy season. | D.G.A.C. PT. A.P. II PT. Garuda PT. JAS | CMEA |
| | | * Setup of a temporary bonded shelter with canopy | Much of the broken cargo damage occurs by rough and careless handling of warehouse workers especially concerning precision machinery such as electric and electronic parts / goods. This is obviously caused due to the lack of thinking toward the safety and maintenance control in addition to the fundamental code of professional ethics of warehouse workers. | | | | |
| | | b. Prevention of broken cargo damage | * Implementation of more effective internal education and training programs dealing with safety and maintenance control in addition to the fundamental code of professional ethics of the warehouse workers | | There are cases where checks of AWB numbers, piece counts and destinations are not properly performed at the time of bond-in check and at the time of buildup of export cargoes onto ULDs, which causes a serious cargo traffic handling irregularity such as cross-forwarding of cargoes to wrong destinations. | PT. Garuda PT. JAS | |
| | | c. Prevention of cross-forwarding of cargoes | * Sure collation of cargoes and documents by each AWB number | | | | |
| | | * Introduction of a "wireless bar code system" | | | | | |

4.3 Improvement Plan for Airport System and Infrastructure

| NO. | [A] Policy Measures | [B] Action Plans | [C] Outputs | [D] Target Date | [E] Progress up to May 2004 | [F] Executing Agencies | [G] Oversight |
|-----|--|--|--|--------------------|--|--------------------------------------|------------------|
| | | e. Elimination of cargo traffic handling irregularities | * Enhancement of the "total quality control" of air cargo services | | For the past 10 years, the concept of Just-In-Time (JIT) has become dominant throughout the world. In air cargo transportation, reliability, accuracy, safety, swiftness, and at an appropriate cost are very important factors. Many enterprises, especially Japanese-affiliated companies require a high-quality standard of air cargo services. | PT. A.P. II PT. Garuda PT. JAS | |
| 5 | Improvement of Lighting Setup in the Airport Bonded Warehouses | a. Improvement of the work environment in the airport bonded warehouse b. Prevention of cargo traffic handling irregularities such as loading error of export cargoes onto ULD, etc c. Elimination of an environment leading to the possibility of occurrence of pilferage cases | * Increment of the number of lighting * Change of the lighting system * Where possible, the access of work areas in the bonded warehouse to daylight through windows in the roof | Mar 2006 | The existing lighting is too poor for warehouse workers to perform document and cargo handling effectively in the bonded warehouse. Such inadequate lighting not only worsens the warehouse work environment but also has a high possibility of misidentifying AWB number of labels or marks on cargo, which, as the result, may lead to the occurrence of a serious cargo traffic handling irregularities such as loading error of export cargoes onto ULD, etc. Also such inadequate lighting may become a factor which promotes the occurrence of suspicious pilferage in the bonded warehouse. | PT. A.P. II PT. Garuda PT. JAS | CMEA |
| 6 | Improvement of Traffic Congestion in the Parking Lot | a. Improvement of traffic congestion b. Securement of smooth flow of trucks | * Change of the flow of vehicular traffic from both way to "one-way" traffic * Control of the entrance number of trucks into the parking lot | Mar 2006 | The parking lot for trucks waiting for pick-up of released import cargoes becomes too crowded when it comes to peak time of import cargo handling, which makes it difficult for cargo vehicles to move smoothly. | PT. A.P. II PT. Garuda PT. JAS | CMEA |

4.3 Improvement Plan for Airport System and Infrastructure

| | [A] | [B] | [C] | [D] | [E] | [F] | [G] |
|-----|---|---|---|-------------|---|--------------------|--------------------|
| NO. | Policy Measures | Action Plans | Outputs | Target Date | Progress up to May 2004 | Executing Agencies | Oversight Agencies |
| | | | <p>* Establishment of a passing lane for vehicles by drawing white or yellow lines</p> <p>* Utiliation of the temporary parking lot space near the existing parking lot during peak time of import cargo handling</p> | | | | |
| 7 | Effective Control and Proper Handling of "Long-Term-Storage Import Cargoes" | <p>a. Enhancement of the control of "long-term-storage import cargoes"</p> <p>b. Minimization of the storage volume of "long-term-storage import cargoes"</p> | <p>* Effective control of such cargoes by storage location in addition to present control items</p> <p>* Proper handling according to contract of carriage and other related laws and regulations</p> <p>* By establishing higher storage charges for cargo of lengthy storage period</p> | Mar 2006 | <p>Import cargoes which elapsed one month or more after the arrival at Soekarno-Hatta International Airport are to be transferred as "long-term-storage import cargoes" from the bonded warehouses of PT. Garuda and PT. JAS to the Customs Bonded Warehouse. But it is in a difficult situation to find more space to accommodate such cargoes in the Customs Bonded Warehouse, since many "long-term-storage import cargoes" have already been stored in the Customs Bonded Warehouse.</p> <p>As a result of such a situation, these "long-term-storage import cargoes" are obliged to be stored in the bonded warehouses of PT. Garuda and PT. JAS under the direct instruction and supervision of the airport customs and they have come to occupy too much space in the bonded warehouse. Moreover, many of such cargoes stored in the bonded warehouses of PT. Garuda and PT. JAS have been gathering dust,</p> | D.G.C.E. | CMEA |

4.3 Improvement Plan for Airport System and Infrastructure

| NO. | [A] Policy Measures | [B] Action Plans | [C] Outputs | [D] Target Date | [E] Progress up to May 2004 | [F] Executing Agencies | [G] Oversight Agencies |
|-----|---|---|--|--------------------|--|---------------------------|---------------------------|
| | | | | | because they have not been controlled sufficiently and stored effectively. The field survey found out that the "long-term-storage import cargoes" in the Customs bonded Warehouse have not been controlled by storage location. Therefore, it is almost impossible to look for a specific cargo once these cargoes are transferred to the Customs Bonded Warehouse from the bonded warehouse of PT. Garuda or PT. JAS. | | |
| 8 | Facilitation of Release of Import Cargoes Requiring Longer Time | <p>a. Improvement in the quality of customs personnel's services</p> <p>b. Minimization of the extra contacting time from the side of the consignee or its customs broker to the customs officer in charge for making an appointment of customs cargo inspection</p> <p>c. Deployment of a necessary number of customs officers</p> | <p>* By enabling every customs personnel on duty to respond impartially and efficiently to every case</p> <p>* Notification of the time and date for the customs cargo inspection to the consignee or its customs broker at the time of designation of Red Channel in addition to the name of customs officer in charge</p> <p>* Review of the real situation of the present system of customs personnel's shift</p> | Mar 2006 | At present, there are complaints from clients saying that the time from arrival of aircraft to release of goods takes too long. The results of the time measurement also show that the average time of 67 hours 59 minutes are used up only for the process interval between the notice of Red Channel and the start of customs cargo inspection as against the average total time of 117 hours for that between Submission of PIB and Issuance of SPPB. Furthermore, according to the hearings by way of questionnaires and interviews with airfreight forwarders and customs brokers, strong dissatisfactions were indicated toward the present situation of the customs inspection of cargoes, because it is very difficult to get in touch with customs officers in charge and takes too much time for making an appointment for the presence of customs inspection due to circumstances of the absence or shortage of customs officers. | D.G.C.E. | CMEA |

4.3 Improvement Plan for Airport System and Infrastructure

| | [A] | [B] | [C] | [D] | [E] | [F] | [G] |
|-----|---|---|---|-------------|--|--|--------------------|
| NO. | Policy Measures | Action Plans | Outputs | Target Date | Progress up to May 2004 | Executing Agencies | Oversight Agencies |
| 9 | Enhancement of Import Cargo Control and Storage System | <p>a. Prevention of cargo traffic handling irregularities such as delivery errors, delivery delays of import cargoes, etc.</p> <p>b. Elimination of duplication in manual posting /input work of data</p> <p>c. Speedy and accurate processing of data, such as arrival checks, storage locations, deliveries of import cargoes, etc.</p> <p>d. Speedy and effective control and storage of import cargoes in the bonded warehouse</p> | * Introduction of a "wireless bar code system" | Mar 2006 | At present, cargo arrival checks are performed by warehouse workers based on the hard copies of cargo manifests. And the arrival-check-data entered on the cargo manifest by warehouse workers is fed into computers manually in the office later. But these data processing methods not only take a lot of time but also cause a duplication of manual input work of Air Waybill numbers, and also hide a high possibility of data-input errors of Air Waybill numbers, arrival checks and storage locations of import cargoes, etc. Furthermore, these kinds of data-input errors will lead to serious cargo handling traffic irregularities such as delivery errors and delivery delays of import cargoes, etc. | PT. A.P. II PT. Garuda PT. JAS | CMEA |
| 10 | Enhancement of the Function of Forwarder's Bonded Warehouse outside the Airport | <p>a. The bonded transportation of export and import cargoes by ULD between the bonded warehouse in the airport and the forwarder's bonded warehouse outside the airport</p> <p>b. Buildup of export cargoes onto ULDs, at least concerning "lot cargoes," at the forwarder's bonded warehouse outside the airport</p> <p>c. Promotion of the acceptance of export cargoes and the delivery of import cargoes by ULD at the bonded warehouse in the airport</p> | <p>* Solution and improvement of institutional problems</p> <p>* Solution and improvement of institutional problems</p> | Mar 2006 | <p>Since June 2001, airfreight forwarders have been permitted to have their own bonded warehouse outside the airport. Regarding the bonded transportation of import cargoes, that is, the bonded transportation from the bonded warehouse of PT. Garuda or PT. JAS in the airport to the forwarder's bonded warehouse outside the airport is permitted only for BULK cargoes after breakdown of import ULD cargoes at the bonded warehouse in the airport, but the bonded transportation of ULD cargoes is not permitted.</p> <p>While, in respect to the bonded transportation of export cargoes, that is, the bonded transportation from the forwarder's bonded ware-</p> | D.G.C.E. PT. A.P. II PT. Garuda PT. JAS | CMEA |

4.3 Improvement Plan for Airport System and Infrastructure

| NO. | [A] Policy Measures | [B] Action Plans | [C] Outputs | [D] Target Date | [E] Progress up to May 2004 | [F] Executing Agencies | [G] Oversight Agencies |
|-----|--|--|---|--------------------|--|--|---------------------------|
| | | | * Expansion and renovation of truck dock facilities of the bonded warehouse in the airport | | house outside the airport to the bonded warehouse in the airport is not permitted for all export cargoes (BULK/ULD cargoes). In other words, all export cargoes must be brought into the bonded warehouses in the airport and the buildup of export cargoes onto ULDs is to be carried out in the bonded warehouse in the airport only by PT. Garuda or PT. JAS. Originally, the function of the bonded warehouse in the airport and that of the forwarder's bonded warehouse outside the airport are different. The main function of the former is to deliver more cargoes as swiftly as possible by ULD without breaking down the import ULD cargoes in the airport. The main function of the latter is to pick up ULD cargoes in the airport as quickly as possible and transport the ULD cargoes in bond to their own bonded warehouse outside the airport and import customs clearance should be made at the forwarder's bonded warehouse in compliance with the request of the respective consignee, as the case may be. | | |
| 11 | Improvement of the Situation of Transporting Cargoes between Japan and Indonesia via Singapore, Bangkok and Kuala Lumpur | a. Improvement of the investment environment from foreign countries to Indonesia | * Drastic reform of the bureaucracy with much red tape * Improvement of transparency * Becoming "an attractive country" | Mar 2006 | At present, a lot of cargoes between Japan and Indonesia are carried via third countries The first reason is due to the fact that the capacity (supply) of air cargo transportation between Japan and Indonesia is not enough, because there is no direct freighter service between Japan and Indonesia. The second reason is that many regulatory problems, actions and restrictions | D.G.C.E. PT. A.P. II PT. Garuda PT. JAS | CMEA |

4.3 Improvement Plan for Airport System and Infrastructure

| NO. | [A] Policy Measures | [B] Action Plans | [C] Outputs | [D] Target Date | [E] Progress up to May 2004 | [F] Executing Agencies | [G] Oversight Agencies |
|-----|---|--|---|--------------------|---|---------------------------|---------------------------|
| | | b. Improvement of the "total physical distribution system" which covers all of the air cargo services from the arrival of aircraft to the delivery of import cargoes to consignees and from the acceptance of cargoes from shippers to the departure of aircraft | Observing as many real situations of cargo terminal facilities in foreign countries as possible including the neighboring countries of South East Asia such as Malaysia and Thailand * Listening to the opinions and comments from the private sector as broadly as possible | | in respect to trade related systems and procedures still exist in Indonesia. In Malaysia, for example, the "Concept of User-Friendly," "Free Commercial Zone" etc, have already disseminated, especially in the field of trade related systems and procedures. Regrettably, the scale and cargo handling capacity of the present air cargo terminal in Soekarno-Hatta International Airport is poor in many respects compared with those of Kuala Lumpur International Airport in Malaysia and Bangkok International Airport in Thailand, where we conducted trade environment investigation as the close-related third countries of Indonesia. | | |
| | | c. Creation of Soekarno-Hatta International as a hub cargo terminal in Aisa | * Solution of the unsolved problems related with trade and investment facilitation policies during the course of realization of the Air Cargo Transshipment Village concept | | | | |
| 12 | Improvement of Mind toward Safety and Maintenance Control | Improvement of the situation where ULD cargoes with container's door open are carried by dollies | * Implementation of more effective internal education and training programs dealing with safety and maintenance control in addition to the very fundamental code of professional ethics of the warehouse workers. | Mar 2006 | There are cases where ULD cargoes with container's door open are carried by dollies. This situation is caused due to a lack of thinking toward safety and maintenance control and also a lack of fundamental code of professional ethics of the warehouse workers. In the event that any of the ULD cargoes being dropped on the way from inside of the ULD on the dollies, it is very dangerous and may lead to the occurrence of cargo damage or other accident. It is highly expected that the handling | PT. Garuda PT. JAS | CMEA |

4.3 Improvement Plan for Airport System and Infrastructure

| | [A] | [B] | [C] | [D] | [E] | [F] | [G] |
|-----|---|---|---|-------------|---|--------------------------------------|--------------------|
| NO. | Policy Measures | Action Plans | Outputs | Target Date | Progress up to May 2004 | Executing Agencies | Oversight Agencies |
| | | | | | of precision machinery such as electric and electronic parts and goods to be carried by air will increase from now on. In this sense, a solution to this kind of problem is very important. | | |
| 13 | Prevention of Cats from Coming inside the Bonded Warehouse Facility | <p>a. Elimination of any possibility of leading to the occurrence of cargo damage caused by cats in the bonded warehouse</p> <p>b. Elimination of any problem against human and cargoes (food, etc.) from a sanitary and safety control point of view</p> | * Some proper countermeasures to prevent cats from coming inside the bonded warehouse facility in the airport | Mar 2006 | <p>Every time when visiting the bonded warehouse of the cargo terminal in Soekarno-Hatta International Airport, several cats can be seen in the bonded warehouse facilities even during the daytime.</p> <p>This situation cannot exist in other countries.</p> <p>From a sanitary and safety control point of view against human and cargoes (food, etc.), this situation cannot be left as it is.</p> | PT. A.P. II PT. Garuda PT. JAS | CMEA |
| 14 | Enhancement of Airport Security | <p>a. Monitoring and recording of the movement of people and others in the bonded warehouse so as to be able to trace at a later date as the case may be</p> <p>b. Improvement of lighting in the airport bonded warehouses</p> | <p>* Installation of a necessary number of surveillance cameras</p> <p>* Increment of the number of lighting</p> <p>* Change of the lighting system</p> | Mar 2006 | <p>Pilferage cases occur frequently in Indonesia, even in the airport bonded warehouses of PT. Garuda and PT. JAS, especially as to high-valued goods. Pilferage cases are a serious problem to the consignee and its customs broker. Present security countermeasures taken in the airport bonded warehouse are not sufficient. Under the present condition of the cargo terminal, it is very difficult to prevent and detect the pilferage cases, especially when it comes to the case of inside jobs.</p> <p>Inadequate lighting may become a factor which promotes the occurrence of pilferage.</p> | PT. A.P. II PT. Garuda PT. JAS | CMEA |

4.3 Improvement Plan for Airport System and Infrastructure

| | [A] | [B] | [C] | [D] | [E] | [F] | [G] |
|-----|--------------------------------------|---|--|-------------|---|--|--------------------|
| NO. | Policy Measures | Action Plans | Outputs | Target Date | Progress up to May 2004 | Executing Agencies | Oversight Agencies |
| | | c. Enhancement of airport security as a whole including the Cargo Terminal | * Review of the security check system against people who access the inside of the bonded warehouse facilities | | Present security countermeasures taken in the existing airport bonded warehouse are not sufficient. Under the present cargo terminal condition, there is a possibility that outsiders can easily steal into the crowded warehouse and also access to the apron side of the cargo terminals. | | |
| 15 | Construction of a New Cargo Terminal | a. Acquirement of information and guidelines necessary for new cargo terminal facility planning | Observing as many real situations of cargo terminal facilities in foreign countries as possible including the neighboring countries of South East Asia such as Malaysia and Thailand | Dec 2005 | The existing bonded warehouse facility is already too narrow and the structural style of the warehouse is too outdated to handle international cargoes efficiently, smoothly and safely. The existing Cargo Terminal facility of Soekarno-Hatta International Airport is inferior in many respects compared to those of Bangkok International Airport in Thailand and Kuala Lumpur International Airport in Malaysia. | D.G.A.C. PT. A.P. II PT. Garuda PT. JAS | CMEA |
| | | b. Construction of a new cargo terminal building facility with more userfriendly warehouse work environment and also with other related facilities, such as agents/forwarders facilities, customs offices and other office blocks, as well as free-trade zone facilities, etc., on landside areas of the cargo terminal complex, without impeding the cargo flow, traffic and parking | * Listening to the opinions and comments from the private sector as broadly as possible | Dec 2005 | The expansion and renovation of the existing bonded warehouses are essential but these will be merely an emergency evacuation temporary countermeasure until a new cargo terminal is constructed. The construction of a new cargo terminal with more state-of-the-art equipment, facilities and more userfriendly warehouse work environment is essential in order to cope with the increase of future cargo demand as a hub cargo not only in Indonesia but also in Asia | | |
| | | c. Decision of the size of a new cargo terminal building facility | * Consideration of factors such as busy-hour passengers | Mar 2006 | | | |

4.3 Improvement Plan for Airport System and Infrastructure

| | [A] | [B] | [C] | [D] | [E] | [F] | [G] |
|-----|-----------------|--|---|-------------|-------------------------|--------------------|--------------------|
| NO. | Policy Measures | Action Plans | Outputs | Target Date | Progress up to May 2004 | Executing Agencies | Oversight Agencies |
| | | | and aircraft movements in addition to busy-hour cargoes and cargo aircraft movements and cargo and vehicle's flow lines | | | | |
| | | d. Construction of a new cargo terminal in consideration of acquiring the greatest effect with minimum investment and also allowing possibilities for future expansion | * Division of time frame into Phase One (2005-2009), Phase Two (2010-2015), and Final Phase (After 2016) and consideration of taking a long term view | Mar 2006 | | | |
| | | e. Coping with the increase of the future air cargo demand in view of the present situation of the bonded warehouse facilities of PT. Garuda and PT. JAS | * An early start full-fledged planning and implementation of Phase One | Mar 2006 | | | |
| | | f. Utilization of the old investment portion to the maximum extent and to minimize unnecessary future investment | * Formulation of effective reusable plan of the existing site and cargo terminal facilities | Dec 2009 | | | |

(Glossary)

| | |
|------------|---|
| CMEA | Coordinating Ministry for Economic Affairs |
| D.G.C.E. | Directorate General of Customs and Excise |
| D.G.A.C. | Directorate General of Air Communications |
| PT.A.P. II | PT. Angkasa Pura II |
| PIB | Pemberitahuan Impor Barang/Declaration of Importing Goods |
| SPPB | Surat Persetujuan Pengeluaran Barang/Goods Releasing Approval Letter. |
| ULD | Unit Load Device |
| AWB | Air Waybill |

4.4 Action Plan for Improvement of Inland Trade Infrastructure and Road Network

4.4.1 Policy and Development Plan for Action Plan

As a policy for the action plan, it is most important to reduce/ dismiss congestion on roads in the port area caused by lack of access roads to the port and it should maintain resultantly the smooth port operation. Besides above, offering good road network to port users (trade-related customer) results the promotion of trade.

As a development plan for short-term plan includes, to plan increasing the capacity of road network, through new construction or extension of toll road access, widening of toll road access and betterment of arterial roads and intersections.

This also results to separate heavy loaded and large vehicles from general light vehicles. There are so many container depots for bonded warehouses, CFS, etc. dispersed in the port district and it also causes traffic jam and insufficient operation.

So, as long term plan, dispersed depots would be consolidated into one or two integrated depots with efficient operation. (In case of air cargo, it already starts to realize such consolidated depots.)

For those development a large volume of funds are required, so the development budgets of the toll road company (Indonesia Highway Corporation, PT. Jasa Marga (Persero), Central Government (Ministry of Public Works) and DKI Jakarta Provincial Government and foreign official development aids (mainly by JBIC and World Bank) are to be applied for execution.

Organization of execution is so many as above mentioned. The targets of execution are by 2010 for short term development plans and by 2015 for long term.

4.4.2 Action Plan for Improvement

Those action plans for improvement are categorized into two, one is for a short-term by year 2010 and for a long-term by year 2015.

The short-term action plans are proposed as the following five projects:

- Construction of Tanjung Priok Access (a toll road) as an northern extension of Jakarta Outer Ring Road (JORR).
- Completion of whole stretch of JORR.
- Operating with flat tariff system for JORR, Jakarta Intra Urban Tollway System (JIUT) and radial tollways crossing JORR such as JKT – Cikampek Tollway, Jagorawi Tollway, JKT – Merak Tollway, etc. to induce large and heavy loaded vehicles to utilize JORR via Tanjung Priok Access. This should give a good effects/ impacts for general and light vehicles on arterial roads, JIUT to avoid congestion.

- Improving arterial roads in port district such as Jl. Jampea, Jl. Cakung – Cilincing, Jl. Yos Sudarso, Jl. Enggano and Jl. Martadinata together with improvement of intersections.
- As for air cargo, carrying out the widening of Cengkareng Access in an earlier stage to meet the increasing demand of airport related traffic.

For the long-term one is proposed the following project by 2015:

- The development of consolidated and integrated container depots in eastern sides such as Marunda area, etc. in order to disperse positively the function of port district. This should increase the efficiency of land transport system.

**ACTION PLAN
INFRASTRUCTURE DEVELOPMENT FOR LAND TRANSPORT**

| No. | Policy Measures | Action Plans | Outputs | Target Date | Progress up to October 2004 | Executing Agency | Oversight |
|-----|---|---|--|--------------------------------|---|---|---------------------------------|
| 1. | <p>Policy: To reduce/ relieve the congestion on roads in the port area caused by lack of access roads to and from the port and to maintain resultantly the smooth port operation. Besides above, offering a good road network to port users (trade-related customers) results into the promotion of trade.</p> | <p>Construction of Tanjung Priok Access (a toll road) as an northern extension of Jakarta Outer Ring Road (JORR).</p> | <p>Tanjung Priok Access (as a part and northern extension of JORR)</p> | <p>Year 2010</p> | <p>The Indonesian Government has included the construction project of Tanjung Priok Access into the request for the economic assistance by Japanese Government. And in October 2004, the Minutes of Discussion between the JBIC Second Fact Finding Mission and the Indonesian Government was signed.</p> | <p>Ministry of Public Works/ PT. Jasa Marga (Persero)</p> | <p>Ministry of Public Works</p> |
| 2. | <p>Development plan: As for the short-term plan, the plan shall be oriented to the increase in capacity of road network, through new construction or extension of toll road access, widening of toll road access and betterment of arterial roads and intersections. The increase in capacity could also be supported by separating heavy loaded and large vehicles from general light vehicles. There are so many container depots for bonded warehouses, CFS, etc. dispersed in the port district. Such a scattering also causes traffic jam and insufficient operation. So, as for the long term plan, these depots would be consolidated into one or two integrated depots with efficient operation. (In case of air cargo, it has already started to realize such consolidations.)</p> | <p>Completion of whole stretch of JORR.</p> | <p>Other not-completed or not-developed sections of JORR: (E1, E2, E3, W1, W2)</p> | <p>Year 2006 Year 2007</p> | <p>PT. Jasa Marga has been carrying out construction of the not-completed sections following the master schedule with priority and with their own funds such as toll revenue, bonds, IPO, etc. Section E1 and W2 have been under construction for sometime and sections E2 and E3 which connect to Tanjung Priok Access started their constructions in September 2004. Section W2 has several land acquisition problems, but other sections are smooth.</p> | <p>PT. Jasa Marga (Persero)</p> | <p>PT. Jasa Marga (Persero)</p> |

| No. | Policy Measures | Action Plans | Outputs | Target Date | Progress up to October 2004 | Executing Agency | Oversight |
|-----|--|--|--|-------------|---|--|--|
| 3. | Financial Plan: The development budgets of the toll road company (Indonesia Highway Corporation, PT. Jasa Marga (Persero), Central Government (Ministry of Public Works), and DKI Jakarta Provincial Government as well as the foreign official development aids (mainly by JBIC and World Bank) are to be applied for execution. | Operating with flat tariff system for JORR, Jakarta Intra Urban Tollway System (JIUT) and radial tollways crossing JORR (such as JKT – Cikampek Tollway, Jagorawi Tollway, JKT – Merak Tollway, etc.) to induce large and heavy loaded vehicles to utilize JORR via Tanjung Priok Access. This should give good effects/ impacts for general and light vehicles on arterial roads, JIUT to avoid congestion. | Operation with flat tariff systems for JORR and other related radial tollways | Year 2006 | PT. Jasa Marga has tendered their request of approval for rate and flat tariff system to the Minister of Public Works. | PT. Jasa Marga (Persero) | Ministry of Public Works/ Ministry of State-owned Enterprises |
| 4. | Execution: There are so many executing agencies, as above mentioned. The target years of execution are: by 2010 for short-term development plans and by 2015 for long term ones. | Improving arterial roads in port district such as Jl. Jampea, Jl. Cakung – Cilincing, Jl. Yos Sudarso, Jl. Enggano and Jl. Martadinata together with improvement of intersections. | Improvement of arterial roads and intersections (Jl. Jampea, Jl. Cacin, Jl. Yos Sudarso, Jl. Enggano, Jl. Martadinata) | Year 2010 | Jl. Jampea, Jl. Cacin, Jl. Yos Sudarso and related intersections are scheduled to be improved during Tanjung Priok Access construction. Improvement of Jl. Enggano, Jl. Martadinata are planned by DKI Jakarta. | Ministry of Public Works/ DKI Jakarta | Ministry of Public Works/ DKI Jakarta |
| 5. | | As for air cargo, carrying out the widening of Cengkareng Access in an earlier stage to meet the increasing demand of airport related traffic. | Widening of Cengkareng Access | Year 2010 | Regarding the widening of Cengkareng Access, PT. Jasa Marga is arranging fund as one of priority project. | PT. Jasa Marga (Persero) | PT. Jasa Marga (Persero) |

| No. | Policy Measures | Action Plans | Outputs | Target Date | Progress up to October 2004 | Executing Agency | Oversight |
|-----|-----------------|---|--|-------------|--|--------------------------|---|
| 6. | | As for long-term plan, the development of consolidated and integrated container depots in eastern sides such as Marunda area, etc. in order to disperse positively the function of port district. This should increase the efficiency of land transport system. | Construction and starting of operation of consolidated and integrated container depots | Year 2015 | Nothing specified. | Local Governments | Local Governments/ Ministry of Communications |
| 7. | | | Widening of Throughway of JKT – Cikampek Tollway up to main interchanges for industrial complexes and improvement of access to interchanges. | | Regarding JKT – Cikampek Tollway, the section between Bekasi – Cibitung is now underway for widening to six lanes. For the widening of the section between Cibitung – Cikarang, PT. Jasa Marga and Ministry of Public Works are arranging the required fund and may start construction as soon as possible (in 2005). In order to solve congestion at the interchange exist gate of Cikarang, they are considering the extension of flat tariff section to Cikarang. | PT. Jasa Marga (Persero) | PT. Jasa Marga (Persero) |

PART 2

Recommendation and Action Plan

PART 2 Recommendation and Action Plan

1. Background

In recent years, the progress of globalization is remarkable and the field of economy is not the exception. Recent movements of global logistics such as SCM (supply chain management), DCM (demand chain management) and 3PL (third party logistics) are the good examples of this tendency. In particular, not only commercial activities but also manufacturing activities are being sifted abroad from developed countries. Many developing countries are competing to invite manufacturing bases and/or factories which might bring about job opportunities and foreign currency earnings. One of the indispensable conditions for winning the competition is the trade environment.

In Indonesia, an improvement of trade environment has been commenced as a part of the nation's entire economic reform conducted by the government with the support from IMF.

Many latest principles, systems, standards, measures, etc. for the promotion of the trade facilitation have been developed by many international institutions such as WCO, WTO, UN, ASEAN, APEC, G8, etc. and many of those have been taken into the trade facilitation reform currently being formulated by the government. Thus, the framework or umbrella of the entire reform is one of the world best and latest, still there are not few complaints from users about the everyday practices on the spot. The findings of the present study also shows many problems remain unsolved.

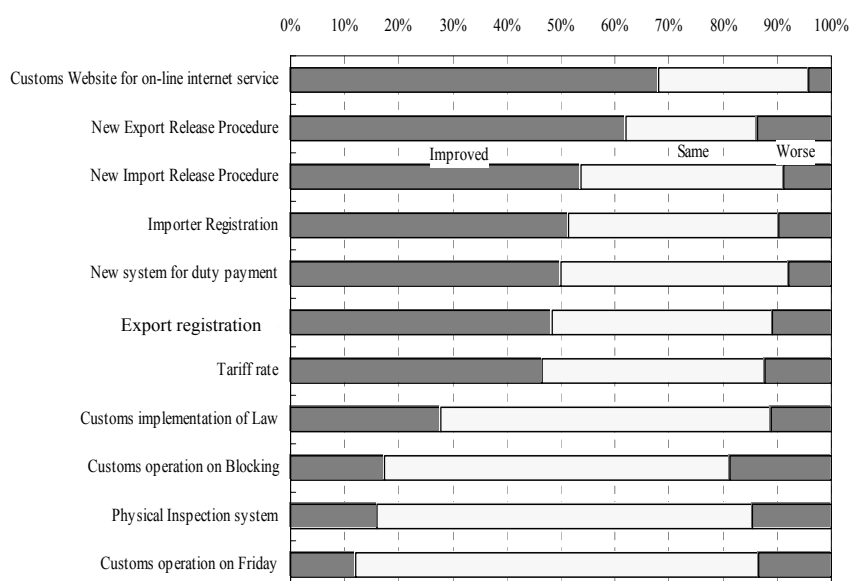
2. Materials for Recommendation

2.1 Major Findings of Study

2.1.1 Evaluation of Customs Reform

As one of the questionnaire survey results, the evaluation of recent customs reform is shown in FIG. E1. According to the figure, 7 out of altogether 11 items are evaluated "improved" by around or more than 50 % of replies. However, one out of ten replies evaluates "worse" for 10 items. These results tell that the recent customs reform is positively evaluated for majority of items, still there

FIG. E1 Evaluation of Recent Effort of the Customs

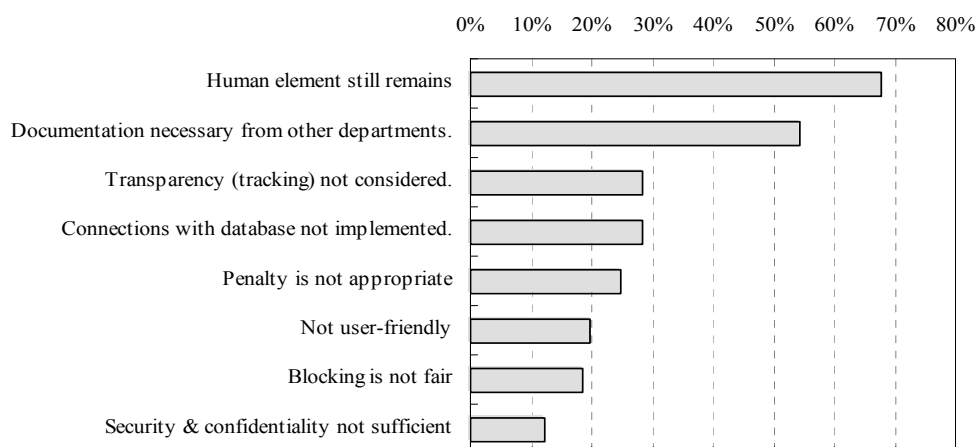


remain inefficiencies or inconveniences in the wide range of the reform. Another example is the evaluation of the customs EDI as shown in **TABLE E1** and **FIG. E2**. According to the **TABLE E1**, more than 90 % of replies evaluate positively, while **FIG. E2** shows that there still remain two items complained by more than half replies.

TABLE E1 Evaluation of EDI

| | No. of Respondents |
|--|--------------------|
| Become Very good | 8 |
| Better | 26 |
| Better than before but not very much different | 42 |
| Worse | 4 |
| New Problems | 5 |

FIG. E2 Evaluation of the Concept of EDI

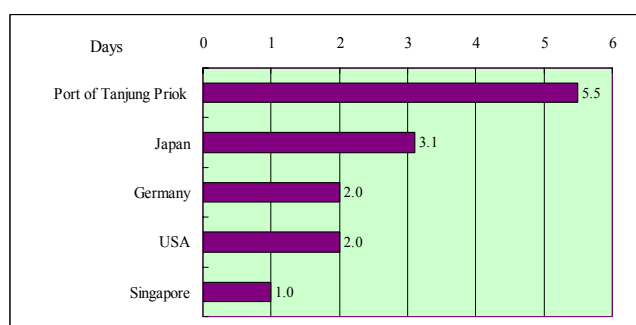


2.1.2 Lead Time

“Lead time” is the time period from the ship’s arrival to the gate-out permission (SPPB).

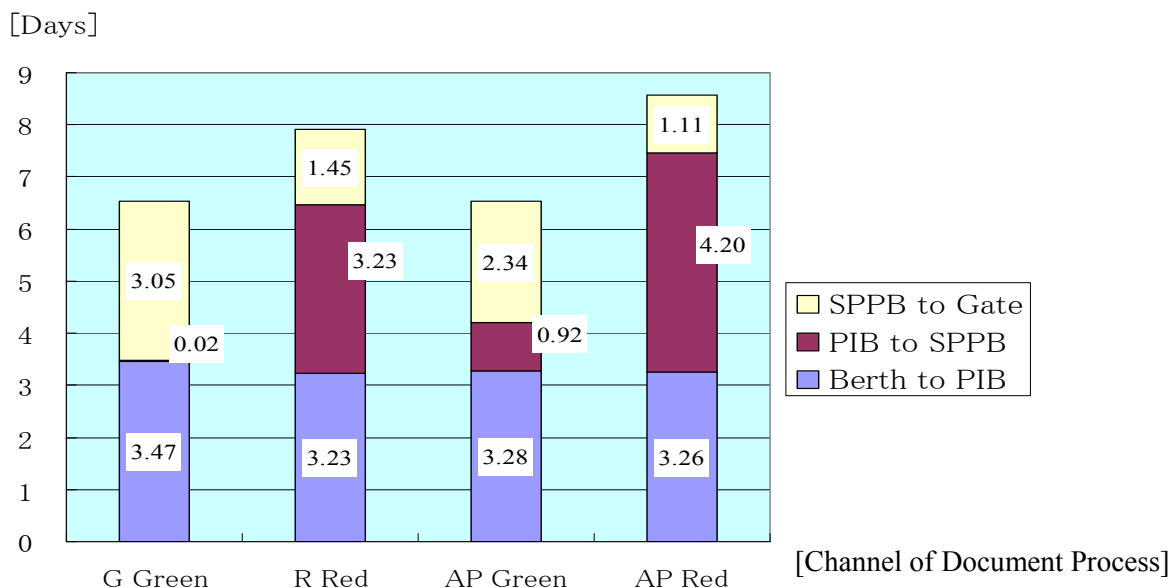
FIG. E3 shows the international comparison of the lead time. 5.5 days of Indonesia’s lead time is obtained by the time measurement survey conducted by the study team. According to this figure, Indonesia takes 2~3 times more than selected developed countries and 5.5 times more than Singapore.

FIG. E3 Comparison of Lead Time for Container Import



According to the time measurement survey, the measured lead time consists of three major time periods. They are the period before PIB, the preparation period for the customs inspection, and the period covering from SPPB to gate-out as shown in **FIG. E4**. There seem to be some inefficiencies and/or inconveniences behind these three major time periods. Anyway, the current competing power of Indonesia in this regards is extremely low.

FIG. E4 Average Required Days from Discharge at Berth to Gate Out (FCL Container)



2.1.3 Terminal Handling Charge (THC)

The terminal handling charge is a charge paid by a consignor to a shipping company.

FIG. E5 shows the international comparison of the terminal handling charge. According to the figure, Indonesia is 40 % more compared to Singapore and roughly double compared to Thailand and Malaysia. The competing power of Indonesia is far lower than those of neighboring countries.

As a reference for the discussion of the port pricing here, the container handling charges (CHC) of the Port of Tanjung Priok and other neighboring ports are also shown in **TABLE E2**. The CHC is paid to a terminal operator by a shipping line as a price of handling a container. Here again, the CHC of Tanjung Priok is higher than Malaysia and Singapore.

FIG. E5 Terminal Handling Charge

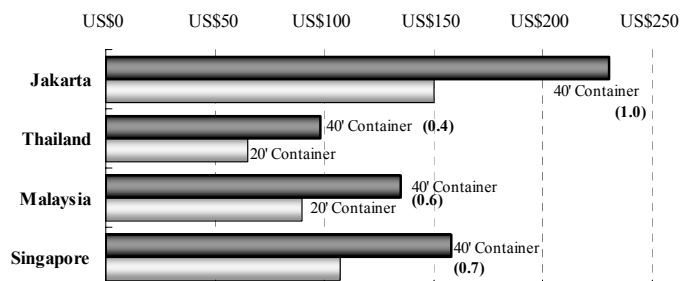


TABLE E2 Container Handling Charge (CHC)

Unit: US\$

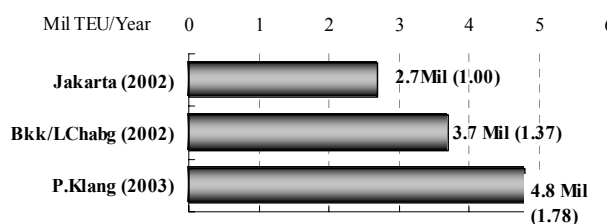
| Port | Container | |
|-----------------------|-----------|-----|
| | 20' | 40' |
| Tanjung Priok | 93 | 139 |
| Malaysia (Port Klang) | 61 | 91 |
| Singapore | 90 | 117 |

Source: Study on Main Container Ports in Asia, JETRO 2003.

2.1.4 Cargo Throughput in Metropolitan Area

FIG. E6 shows the international comparison of the number of containers handled in the Metropolitan Areas in Indonesia, Thailand and Malaysia. Even this simple comparison shows that Indonesia is very much smaller compared to other countries.

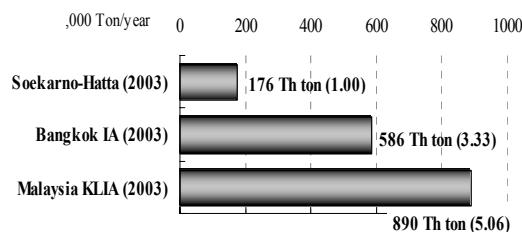
FIG. E6 Container at Asian Port



However, these differences must be deemed much wider than the simple comparison if the differences in national economic scale, population, being the island country, etc. are taken into consideration.

FIG. E7 shows the similar comparison about air cargoes. The differences here is far more wider compared to the case of the port.

FIG. E7 Air Port Cargo



What on earth are there behind these facts ?

So far, the study shows that the port and export/import services in Indonesia aren't good and take time, while the price is expensive. The Port of Tanjung Priok has been operated by a private company, but there are neither intra-port competitions nor inter-port competitions, because the narrow port area is not easy to permit sufficient intra-port competition and no domestic competitor for inter-port competition.

Let's examine neighboring ports which are providing efficient services at reasonable prices. It is a worldwide common knowledge that Singapore is keeping her world best hub status under the fierce competition. It is not so much known as Singapore, but both Thailand and Malaysia are also severely competing for the status of the regional hub respectively. These ports have paid their at most efforts to provide better services at cheaper prices, so that they can collect more transship containers, more foreign currency earnings and more job opportunities.

On the contrary, being surrounded by the severely competing ports, Jakarta has done nothing about competition. Thus, cargoes coming to Jakarta are only those which has to come to Jakarta. Explicitly speaking, there are, in general, no reasons to provide good services at reasonable prices for those cargoes which have no means other than to come to Jakarta.

Thus Jakarta, by not trying to be a regional hub, is losing chances for earning foreign currency and getting job opportunity by bringing up port industries.

Stories above can be applied to the Soekarno Hatta International Airport.

2.1.5 Infrastructure

The last findings are about infrastructures such as a port, an airport and access roads.

FIG. E8 and E9 show the comparison of the volume of infrastructure stock in terms of selected port/airport facilities in the metropolitan areas in three countries. This figure shows that Jakarta's infrastructure stock is far less than other two countries corresponding to their respective cargo volumes mentioned above.

TABLE E3 shows the status quo of the individual port facilities and related access roads in and around the Port of Tanjung Priok. According to this table, almost all individual facilities are insufficient both in quality and quantity.

FIG. E8 Container berth Length

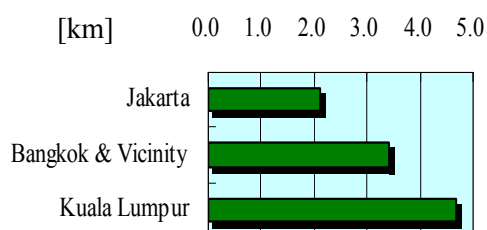


FIG. E9 Air Cargo Area

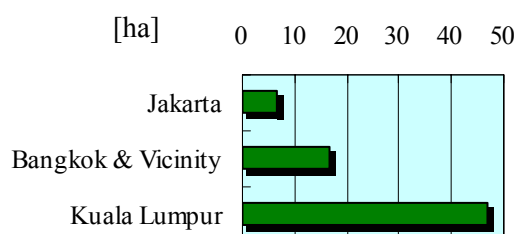


TABLE E3 Port Capacity by Individual Elements – Port of Tanjung Priok

| Type | Individual Element | Estimated Capacity | Recorded Performance |
|----------------|-------------------------------|---|--|
| Infrastructure | Channels, Basin, etc. | Number of Ship Call ; 16,000~16,500 vessels/year | 16,253 vessels/year |
| | Berths | Container (TEUs) : 2,567,000 Conventional Berth (ton): 37,096,000 | 2,945,000 TEUs 37,818,000 ton |
| | Access Roads | Actual traffic/ Road Capacity East Direction 1.48 West Direction 1.37 | South Direction 0.83 |
| Port Operation | Container Handling Efficiency | Normally more than 25 Box/h/crane | 20 ~25 BOX/h/Crane |
| | Ship Waiting Time | Normally zero for container vessels | Container: Several hours Conventional: More than 12 hours |

Note: Figure in box indicates over capacity.

Source: 1) JICA Report 2003

2) "Transportation and Communication Statistics" Katalog BSP 8215

Some examples of quality and/or quantity insufficiency in the port are:

- i. insufficient water depth in channels and basins,
- ii. narrow channel width and space of basins,
- iii. one way navigation system,
- iv. single port entrance,

- v. insufficient number of berths,
- vi. old fashioned berths,
- vii. shallow spaces of various yards,
- viii. traffic jam in and around port area,
- ix. narrow and no roof customs inspection space,
- x. insufficient maintenances, etc.

These facts are definitely due to the insufficient investments in infrastructures including both capital and maintenance investments. At present, the cargo volume is just around the capacity of individual port facilities as shown in the **TABLE E3**. The port cannot accept the increased cargoes due to the anticipated economic development in the national economic policy, if not for the increase by introducing regional hub. Conclusively speaking, all these facts and discussions are put into the following two arguments:

- i. full-fledged investment is absolutely needed to solve the insufficient port capacity and the serious port congestion, and
- ii. full-fledged investment is absolutely needed to introduce full-fledged intra-port and inter-port competitions

The situation in the Soekarno Hatta International Airport is more or less same as in the Port of Tanjung Priok.

2.1.6 Second Port Concept

One of the important findings of the Third Country Survey in Thailand is the very effectiveness of the Second Port Concept (SPC) which is the idea that a newly built second port with high locational freedom cooperates and competes with an old first port with many serious restrictions to cover the same hinterland together. In the Bangkok Metropolitan Area, the Port of Bangkok is the old first port with serious restrictions such as shallow water depth, narrow port area, heavily congested access roads, etc., while the Port of Lem Chabang is the second port built outside of the Bangkok Metropolitan Area and enjoys smooth traffic to and from the hinterland, deep sea, wide spaces, etc. Both ports cover the same hinterland together by cooperating and competing each other. An application of the SPC to the Jakarta Metropolitan Area can be an appropriate selection with the existing Tanjung Priok as the old first port.

Note that the “old first port” problem was pointed out and discussed in Japan at the middle of sixties. At that time, major ports in Japan were under serious restrictions such as heavy traffic congestions, insufficient capacity, no space for further extension, shallow channels and basins, lack of damping area for dredged materials, etc. due exclusively to the rapid and disordered urbanizations in the direct behind of ports. The solution to this problem implemented in Japan was also the SPC. Big scale man-made- islands have been built just in front of the old first port and the second port have been built on this island. There are many examples of the SPC of this man-made-island type in Japan such as Yokohama, Kobe, Tokyo, Nagoya, Osaka, Hakata, etc.

2.1.7 G&B Partnership

Another interesting finding is obtained through the Third Country Survey in Kuala Lumpur. The Airfreight Forwarders Association in Malaysia (AFAM) has kept a G&B meeting system for more than 20 years successively and successfully. Now, individual airport users can negotiate regularly with the customs and other related ministries/agencies through the AFAM meeting system. There still remain many problems, however they are more or less satisfied with the ways and the outcomes of the meetings. Not only the AFAM but also other relevant private sectors has kept meeting systems either separately or jointly in Malaysia. This finding clearly teaches us the importance of the G&B meetings under the umbrella of the G&B partnership or PPP.

2.1.8 Findings through Seminars in Three Cities outside Jakarta

[Ujung Pandang]

In the Port of Makassar, the Pellindo people told that the Port is now trying to attract international shipping lines so that they can collect port charges not by the domestic tariffs but by the international tariffs and can collect foreign currencies. To this purpose, an agreement has been made between port and customs to provide port users more efficient and internationally competitive services which include similar contents as those the study team is now recommending to the Port of Tanjung Priok.

This means that what is currently lacked in Jakarta is already taken into the practice in Makassar under the exactly same legal and other relevant official systems, and what makes this possible is the very decision of the Makassar people to introduce competition with the Port of Surabaya which is currently playing a role of the hub for Makassar.

Note that this is a plain example of “ the introduction of efficiency comes with the introduction of competition.”.

[Surabaya]

According to the Time Measurement Study done by the study team, the ratio of those which go to the red line of the customs inspection in Jakarta during the study period of two weeks was more than 50%. This seems a little bit higher than anticipated before commencing the measurement. The DGCE people also pointed out the fact. However, there is currently no other data available to check the result.

When the study team visited Surabaya, the customs there showed the team the red line data together with the other various statistics. The team would like to recommend the customs in Jakarta that it should prepare all the necessary statistics as a rule.

[Medan]

In the Port of Belawan, the Pellindo people told the study team that they wish to be a hub port rather than a current status of being a feeder port mostly served by Singapore. They wish to carry their cargoes not via Singapore but directly to their final destinations so that they can save transportation cost and time. For this purpose, they have already formulated a port extension plan and other related works.

In this connection, the study team would like to comment that entire Indonesia should provide several regional hub ports besides Jakarta in the coming future. Among others, the Port of Belawan is most advantageous in geographical point of view for a potential hub port in Indonesia. Note that Japan is also providing several hub ports in East Asian Region.

2.2 Preparation for Recommendation

All the findings mentioned above are listed in the **TABLE E4**. Listed findings could be classified into the following three groups:

Group A ----- Those findings with “Inefficiency” in its background

Group B ----- Those findings with “No Competition” in its background

Group C ----- Those findings with “No Infrastructure Investment” in its background

TABLE E4 Findings and their Background

| No. | MAJOR FINDINGS | BACKGROUNDS |
|-----|---|--|
| 1 | Evaluation by Users | Inefficiency Lack of Integrity, Insufficient Transparency, No Competition, Lack of G&B Partnership, and Incomplete IT |
| 2 | Longer Lead Time | Inefficiency |
| 3 | Higher Terminal Handling Charge | No Competition No Intra-Port Competition due to Insufficient Port Area No Inter-Port Competition due to Lack of Competing Port/Ports |
| 4 | Smaller Cargo Throughput | No Competition |
| 5 | Port, Airport and Access Roads Insufficient Capacity Low Quality Congestions | No Competition Lack of Capital Investment Lack of Maintenance Investment Time is coming for Capacity Increase of Port, Airport and Access |
| 6 | Second Port Concept | Competition |
| 7 | G&B Meetings | G&B Partnership |

The findings belonging to the Group A could be mostly improved through the trade facilitation reform currently promoted by the government. How could the Group B be improved? “By introducing competition” is not a correct answer. Because the capability to compete has to be given to the port through the investment or other necessary means. Thus, the Group B and C can be treated as one same group from the investment point of view. Let’s call the former the Efficiency Group and the latter the Competition Group. Namely:

- i. Efficiency Group No.1, No.2 and No.7
- ii. Competition Group No. 2 to No.6

In the following, the recommendations are discussed for the Efficiency Group and the Competition Group separately.

3. Recommendation

3.1 The First Recommendation ----- Five-in-One Reform -----

The reform for mainly the Efficiency Group might be a procedural reform which is an aggregate of many improvements of detailed individual procedures. Hence, the selection of guiding principles to give a centrifugal force to individual improvements and to work as a framework covering the entire reform is important. In this regards, the Five-in-One Reform shown in **TABLE E5** is a recommended selection for the present purposes.

Since the current reform in Indonesia is, as is shown in the above, equipped with those principles developed by many international institutions, it is compatible with the principles of the Five-in-One Reform.

TABLE E5 Five-in-One Reform

| | |
|---|---|
| 1 | Integrity is the key factor to the entire society |
| 2 | Transparency is the basis of all reforms |
| 3 | Competition is the mother of high efficiency and reasonable pricing |
| 4 | G&B Partnership assures realistic and smooth cargo flow |
| 5 | e-processing is the tool to high efficiency and everybody's convenience |

As for the materials of the strategy formulation, the Action Plan prepared by the present study team is recommended. See PART 2 Chapter 4 "Action Plan".

RECOMMENDATION 1: To formulate and implement the trade facilitation strategy (TFS) on the basis of the "Five-in-One Reform". The Action Plan should be paid full consideration in formulating the strategy.

3.2 The Second Recommendation ----- Pursuit of Regional Hub -----

Before discussing the reform for the Competition Group, let's start discussing competition in general. Competition is, in general, a mother of high efficiency and reasonable pricing. However, it is not always easy to introduce competition into public enterprises such as ports, airports, etc. Moreover, after Mrs. Thatcher, the former prime minister of Britain, privatization has been believed to be one of the most effective means to realize high efficiency and reasonable price. However, this turned out to be incorrect and what is correct is that competition not privatization provides high efficiency and reasonable price. The World Bank which, until recently, has emphasized the importance of privatization has started very recently to shift its free economy policy from privatization to competition. See "Reforming Infrastructure – Privatization, Regulation, and Competition – " A World Bank Policy Research Report, June 2004.

Well, let's start discussions about the Competition Group. The port management of the Port of Tanjung Priok has been under the control of a state owned company and the port operation has been privatized. Still, its actual operational performance is never adequate in almost all aspects including efficiency, pricing, etc. Rigorously speaking, the port operation has lost its international competing capability

almost perfectly.

As for the Soekarno Hatta International Airport, both the management and the operation has been under the control of a state owned company, but the whole situation is more or less same as the port.

As is pointed out already, the investment to increase capacities for both the port and the airport will surely be necessary in the near future.

Thus, those conditions both in the port and the airport discussed above are arranged as follows:

- i. there aren't seen any competition both in the port and in the airport,
- ii. capacities of port/airport facilities are insufficient even for the current cargo volume which is much smaller than neighboring countries
- iii. early infrastructure investment is inevitable even for the cargo increase due to the forecasted economic development of the nation, if not the regional hub
- iv. capacity increase is indispensable for introducing competition
- v. now it is the proper time to consider both port and airport industries by adopting the regional hub policy

According to the above discussions, the regional hub policy could be the best selection for Indonesia from the duplicated point of view of the inevitable capacity increase and the desirable competition introduction.

RECOMMENDATION 2: To formulate and to implement the investment policy for regional hubs both port and airport and at the same time to formulate and to implement the regional hub strategy with the full attention to the second port concept (SPC) and the marketing.

3.3 The Last Recommendation ----- Technical/Budgetary Supports -----

There might be needs for either technical supports and/or budgetary supports during the progress of the reform. At present, many international institutions and developed countries has provided various assistance schemes such as the capacity building (CB), ODA, etc.

RECOMMENDATION 3: To utilize the assistance schemes currently provided by the international institutions and/or developed countries for the needs of technical/ budgetary supports for the trade facilitation reform.

4. Diagrams Showing Trade Facilitation Structure

The trade facilitation structure is illustrated in **FIG. E10**. **FIG. E10** is a detail diagram showing mutual relationships among individual recommendations and some other relevant items.

5. Action Plan

The Action Plan consists of three parts. The Part 1 corresponds to the **RECOMMENDATION 1**, the Part 2 to the **RECOMMENDATION 2**, and the Part 3 to the **RECOMMENDATION 3**.

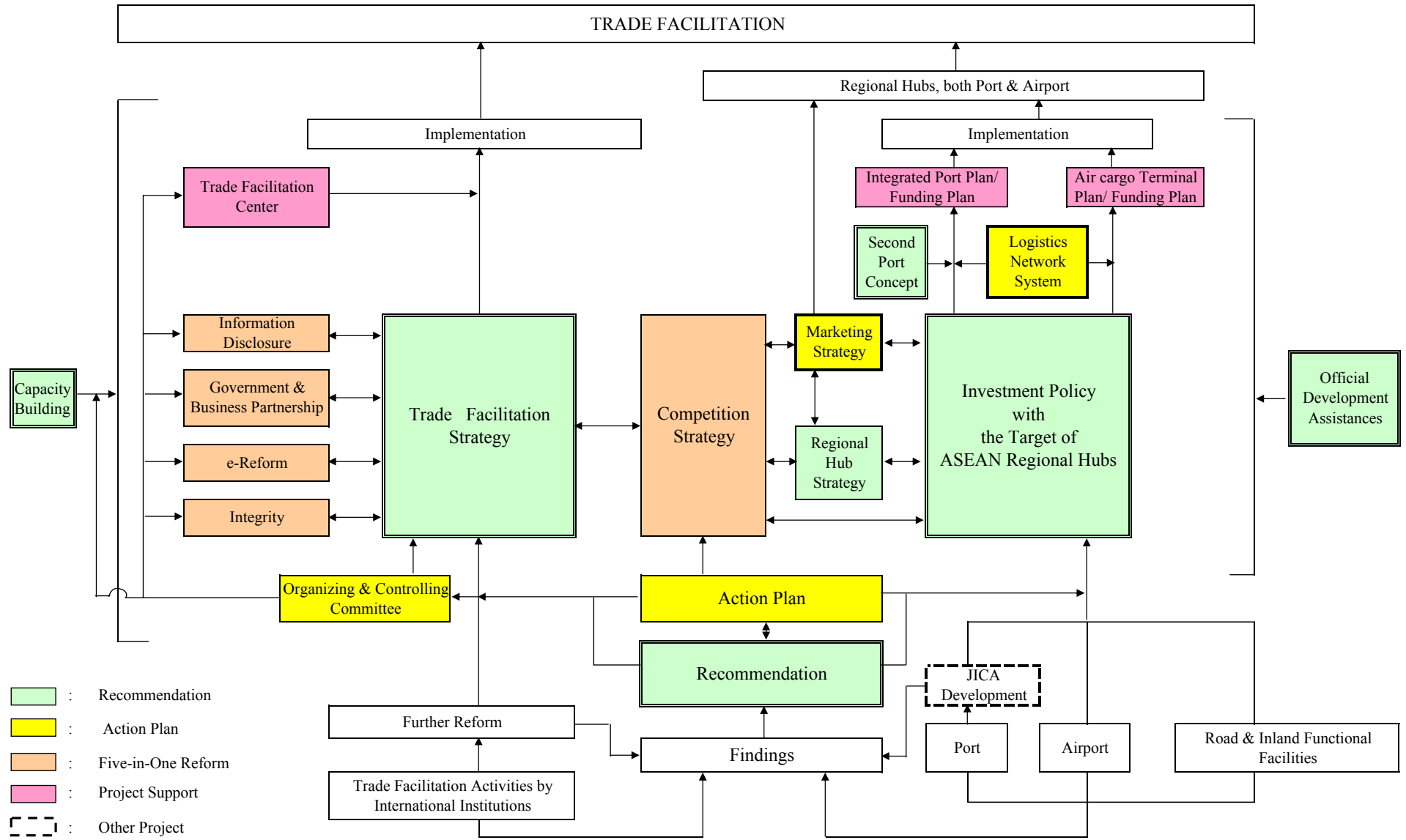


FIG E10 Detailed Diagram Showing the Trade Facilitation

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| | [A] | [B] | [C] | [D] | [E] | [F] | [G] |
|--------------|------------------------|--|---|--------------------|--|--|-----------|
| No. | Policy Measures | Action Plans | Outputs | Target Date | Back Ground | Executing Agency | Oversight |
| 1.1 | Further Reform | | | | | | |
| 1.1.1 | General | | | | | | |
| | 1111 | The efforts having been paid so far in introducing new trade facilitation system should be continued by respective ministries/agencies in the same direction as is taken so far. | Continuation of current reform efforts | 5 years and onward | Many trade facilitation principles, measures, standards, etc. proposed by international institutions such as WCO, WTO, ASEAN, APEC, G8, etc. are being taken into the new trade facilitation systems currently being formulated by the government. | All the relevant ministries and agencies | CMEA |
| | 1112 | The trade facilitation strategy (hereinafter referred to as TFS) covering all the relevant ministries/agencies should be established and all the reform efforts should be carried out under the TFS. The TFS Should be formulated based on the Five-in-One Reform strategy pointed out in the recommendation. The TFS should also cover all the items of the action plans. | Trade facilitation strategy (TFS) | End of 2005 | Customs house established the policy called "For Part of the Improvement of Service and Surveillance at the Customs Section". Under this policy, the combined team with the government has been formed since July 2002 in order to improve management and procedure of the customs section and has been working for the explanation of a policy document and hearing the opinions and views of relevant people. The American Chamber of Commerce in Indonesia, Jakarta Japan Club and the Korean Trade Center are also jointly working with this team. | All the relevant ministries and agencies | CMEA |
| | 1113 | In order to promote and streamline the wide range of the trade facilitation reforms, something like an organizing and controlling committee (hereinafter referred to as OCC) should be established. The first thing OCC should do is formulate TFS and to start it immediately. Either "the Coordination Team for Enhancing the Smoothness of Export and Import of Goods" or CMEA can be the candidate for OCC. | An organizing and controlling committee (OCC) | Middle of 2005 | The Coordination team for Enhancing the Smoothness of Export and Import of Goods ("Coordination Team" established by the Presidential Decree) has been active on "stop smuggling" so far. | CMEA | CMEA |
| | 1114 | In order to promote human resource development (HRD), a training system covering all phases of trade facilitation should be established. It should also be considered for private sector to be given free access to the training system. | New Training System | 2005 and onward | According to the interview study, many users pointed out the lack of knowledge, integrity, etc. of staffs of customs and other relevant ministries/agencies. Some users showed their interest in joining the training system. | All the relevant ministries and agencies | CMEA |
| | 1115 | A monitoring system should be introduced in the entire reform, so that all the efforts for the reform could be traced and, if necessary, revised at adequate and regular time intervals. The involvement of private sector in the system should be included in the system. | New Monitoring System | 2005 and onward | In order to secure the transparency of the reform and to make the reform complete, a monitoring system is indispensable. | All the relevant ministries and agencies | CMEA |
| 1.1.2 | Legal Framework | | | | | | |
| | 1121 | Legal framework governing trade facilitation issues such as "Trade Law" should be established. | Legal framework such as Trade Law | 2006 | Legal framework is indispensable particularly for foreign users as the basis for their trade activities. The Trade Law (draft) is close to be submitted to the DPR. | MOIT | CMEA |

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| | [A] | [B] | [C] | [D] | [E] | [F] | [G] | |
|-------|---|--|--|--|--|------------------------------------|-----------|--|
| No. | Policy Measures | Action Plans | Outputs | Target Date | Back Ground | Executing Agency | Oversight | |
| 1.1.3 | 1122 | Establish (or improve) Free Trade Zone system | Trade Law (draft), Article 36 | 2006 | The draft law is close to be submitted to DPR. Discussion needs to be started in terms of the details of the system. | MOF, MOI/MOT, MOA | CMEA | |
| | 1123 | Establish "New Bonded Warehouse" system | MOF regulation (draft) | 2006 | The draft regulation is at the Minister of Finance. | MOF, MOI/MOT, MOA | CMEA | |
| | 1124 | Cultivate legal framework preparing for coming e-commerce/ e-transaction days | * Trade Law (draft) * Cyber law (draft) | 2005 and onward | The draft is close to submitted to the DPR. The draft is under examination among ministries concerned. | MOI/MOT MOCI | CMEA | |
| | Export/Import Procedures | | | | | | | |
| | 1131 | Review of current application forms and attached documents to simplify/reduce/abolish by eliminating a redundant/duplicating part or by commonly/jointly using the same forms across ministries/agencies to the possible maximum extent. | New application forms | 2006 | No action has been taken in this regards in connection with the FAL convention. | MOF, MOI/MOT, MOCI, MOC, MOA, ITFC | CMEA | |
| | 1132 | Review on customs operation for the followings; | Improved customs operations | 2005 | See the results of "Questionnaire Survey on the Customs Operations" conducted by the Team. | MOF, DGCE | CMEA | |
| | | a. Customs operation on "Blocking" | | | | | | |
| | | b. Customs operation on Friday | | | | | | |
| | | c. Physical inspection system | | | | | | |
| | | d. Customs implementation of law | | | | | | |
| 1133 | Review on customs EDI for the followings: | Improved EDI | 2005 and onward | See the results of "Questionnaire Survey on the Customs Operations" conducted by the Team. | MOF, DGCE | CMEA | | |
| | a. Human element still remains, | | | | | | | |
| | b. Documentation necessary from other departments. | | | | | | | |
| | c. Maintenance system is not 24 hours, | | | | | | | |
| | d. Costly, | | | | | | | |
| | e. Response is slow | | | | | | | |
| 1134 | Review on information/ communication issues for the followings; | Improved information/ communication | 2005 and onward | See the results of "Questionnaire Survey on the Customs Operations" conducted by the Team. | MOF, DGCE, MOI/MOT, MOA, MOC | CMEA | | |
| | a. Lack or insufficient interpretation of new regulation | | | | | | | |
| | b. New regulation without prior notice | | | | | | | |
| | c. Lack of information relaying from HQ to service office | | | | | | | |
| | d. Organization problem between customs and related agencies | | | | | | | |

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| No. | [A] Policy Measures | [B] Action Plans | [C] Outputs | [D] Target Date | [E] Back Ground | [F] Executing Agency | [G] Oversight |
|-----|------------------------|---|-----------------------------------|--------------------|--|---------------------------------------|------------------|
| | 1135 | Review of difficulty for users to communicate with following ministries/ agencies Deprindag (MOI/MOT) DJ Bea dan Cukai (DGCE) | Easy communication | 2005 | See the results of "Questionnaire Survey on the Customs Operations" conducted by the Team. | MOI/MOT, MOF, DGCE | CMEA |
| | 1136 | Review of following items; a. Security to prevent pilferage, damage, etc. of cargoes, b. Officer need to be trained for enforcement of law, c. Organization need to be changed in order to deal with the recent EDI development | Improvement for respective issues | 2005 and onward | See the results of "Questionnaire Survey on the Customs Operations" conducted by the Team. | MOF, DGCE, MOI/MOT, DGSC, IPC-2 | CMEA |
| | 1137 | Reduction of the lead time a. To help users submit PIB earlier and easier b. To help users arrange and prepare customs inspection earlier and easier c. To help and to regulate users take out their cargoes earlier after SPPB submission | Reduced lead time | 2005 and onward | The results of the "The Time Measurement Survey" conducted by the Team shows the lead time of import containers is about twice longer than those in selected developed countries and 5.5 times longer than Singapore. According to the "Time Measurement Survey", longer lead time consists of three main lapses of time. They are before PIB, preparation for customs inspection and gate out after SPPB. | MOF, DGCE, MOC, DGSC, IPC-2 | CMEA |
| | 1138 | Review of the implementation of customs inspection: a. To specify not only inspectors' name but also inspection time in the customs inspection notification. b. To prepare alternative means for the absence of a designated inspector. c. To select a place with a roof for the inspection d. To adjust the timing of an inspection arrangement such as container towing, allocation of workers by a customs broker and dispatch of customs house personnel e. To make transparent the amount of charges which is paid directly on the inspection spot for the expenditure related to workers and photographs | Improved Inspection System | 2005 and onward | At present, inspection time is not specified in the notification document. There is sometime difficulty to carry out a customs inspection efficiently in case that inspection schedule cannot be settled because of an inspector's absence, etc. or inspection may be overdue with shortage of inspectors. The customs inspection for the containers is carried out at the place without the roof. Therefore, there is a possibility that cargoes get wet when it rains and this may deteriorate the value of commodity. The towing charge of the container to the customs inspection station is explicit, however, the payment for the expenditure related to workers and photography has to be paid at the time of inspection directly at the spot. | MOF, DGCE | CMEA |

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| No. | [A] Policy Measures | [B] Action Plans | [C] Outputs | [D] Target Date | [E] Back Ground | [F] Executing Agency | [G] Oversight |
|-----|------------------------|---|---|--------------------|--|---|------------------|
| | | | | | In order to remedy an inconsistent customs inspection, increase of transparency and clarification of the payment are pressing need since there is a report that the amount of charges is different depended on persons in charge. | | |
| | 1139 | Establishment of a consulting desk for Q&A about customs related legal systems, customs regulations, actual procedures, etc. | Consulting desk | 2005 | Consistent interpretation should be prepared by the customs | MOF, DGCE | CMEA |
| | 11310 | National ombudsman and private user opinion box to appeal difficulties, inconveniences, etc. encountered during the export/ import procedures. | Opinion box | 2005 | Start small. There was a trial three years ago but did not successful because of too many stakeholders. | MOI/MOT, MOF, DGCE, National Ombudsman | CMEA |
| | 11311 | Review of all the approval systems and the licensing systems to reconfirm their necessity, appropriateness, conditions required, etc. and improvement, if necessary, of them by reforming/abolishing | Improved system on various approval/license systems | 2006 | It was reported that the necessity of some systems such as the approval for the import of second-hand equipment by MOI/MOT, the certain tax benefit to the import of equipment by Tax Office, the pre-registration for the certain imports by MOI/MOT are not clear. In addition, there is no clear description about the period and the amount required for approvals and licenses. | MOI/MOT, MOF | CMEA |
| | 11312 | Establishment of linkage such as information exchange among DGCE, DG-Tax, DG-Revenue+ Banks, MOI/MOT, DGSC, Port, Quarantine, etc. | Improved linkage | 2005 and onward | There has been an agreement to start trial information exchange between MOI/MOT and MOF, but not implemented yet. | MOF, MOI/MOT, MOC, MOF | CMEA |
| | 11313 | Information disclosure on the progress of the newly introduced PNBPN system. | Information disclosure of PNBPN | 2005 and onward | A duty of payment of Non-Tax State Revenue (PNBP: Penerimaan Negara Bukan Pajak) was imposed from May 1, 2004 on the exporter and the importer at the time of export and import procedures by the Decree 118/KMK. 04/2004. Since this rule was introduced very recently, many users are showing their keen interests to the progress of the rule such as how much collected so far, how the money was/is going to be spent, etc. | MOF, DGCE | CMEA |
| | 1.1.4 | Port Management/ Operation | | | | | |
| | 1141 | OCC should be further involved in the port management/ operation through public hearings, etc. in the definition and the promotion of the "public interest" in pursuit of increased competition and efficiency. | OCC's involvement in port management/ operation | 2006 and onward | See "Reforming Infrastructure – Privatization, Regulation, and Competition" A World Bank Policy Research Report, June 2004 | OCC, MOC, DGSC | CMEA |
| | 1142 | Further involvement on the part of the port management body to the port operation to seek and realize the drastic improvement of efficiency through a more competitive selection system of port operators such as introducing a clearer performance target system to be incorporated in the concession agreement. | Involvement of port management body to port operation | 2006 and onward | A similar recommendation is included in the Study for Development of Greater Jakarta Metropolitan Ports by JICA in 2003. See also "Reforming Infrastructure - Privatization, Regulation, and Competition" A World Bank Policy Research Report, June 2004 | MOC, DGSC, IPC-2 | CMEA |

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| | [A] | [B] | [C] | [D] | [E] | [F] | [G] |
|--------------|---|--|--|-----------------|---|------------------------|-----------|
| No. | Policy Measures | Action Plans | Outputs | Target Date | Back Ground | Executing Agency | Oversight |
| | 1143 | Introduction of international standardization of application forms as per FAL Convention | FAL compatible forms | 2006 | Indonesia has ratified the FAL convention. In order to make things efficient and simple, the introduction of FAL Standard is important. In Japan, an application form for entering port requires average 32 items to be filled up while the FAL only 25 items. In addition in Japan, a ship owner, an operator and an agent altogether have to fill same items separately, thus not simply 32 vs. 25, but sometimes 40,50 vs. 25 is the actual ratio. At present, the Ministry of Land, Infrastructure and Transport and the port management bodies are jointly trying to further simplify their application forms. | MOC, DGSC, IPC-2 | CMEA |
| | 1144 | Setting up the targets for port productivity/efficiency based on the recent performances of neighboring international ports or the internationally accepted levels through opinion exchanges with users, and to monitor the actual performance to feedback again to the port operation for further improvement. | "Set target and evaluate performance" system | 2005 and onward | A similar recommendation is included in the President Instructions No. 5/2003 on Economic Policy Package with IMF Monitoring | MOC, DGSC, IPC-2 | CMEA |
| | 1145 | A marshalling operation such as the Over Land Transport (Over Brengen, or OB for short) should be free of charge. | Free OB system | 2006 | Majority of ports in the world don't charge for the marshalling operation. | MOC, DGSC, IPC-2, JICT | CMEA |
| | 1146 | Review the security to prevent pilferage, damage, etc. of cargoes. | Security | 2005 and onward | See the results of "Questionnaire Survey on the Customs Operations" conducted by the Team. | MOC, DGSC, MOF, DGCE | CMEA |
| 1.1.5 | Land Transportation and Inland Functional Facilities | | | | | | |
| | 1151 | Until the completion of the drastic improvement of infrastructure such as recommended in PART 2 and 3, various urgent and/ or small scale and/or temporary construction, improvement, demolition, management, operation, etc. of roads, parking spaces, various yard, etc. to reduce congestion altogether in one scheme should be planned jointly by relevant ministries/agencies and implemented by respective ministries/agencies. Not only hard means but also soft ones such as traffic controls, traffic regulations, yard operations, etc. should also be included. | Implementation of immediate measures | 2005 onward | There are so many complaints with so many actual heavy congestions at many places around the port. | MOC, DGSC, DGLC | CMEA |
| | 1152 | Establish (or improve) Free Trade Zone system | Trade Law (draft), Article 36 | 2006 | The draft law is close to be submitted to DPR. Discussion needs to be started in terms of the details of the system. 1122 is repeated here again. | MOF, MOI/MOT, MOA | CMEA |
| | 1153 | Establish "New Bonded Warehouse" system | MOF regulation (draft) | 2006 | The draft regulation is at the Minister of Finance. 1123 is repeated here again. | MOF, MOI/MOT, MOA | CMEA |

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| | [A] | [B] | [C] | [D] | [E] | [F] | [G] |
|--------------|--|--|--|-----------------|---|---|-----------|
| No. | Policy Measures | Action Plans | Outputs | Target Date | Back Ground | Executing Agency | Oversight |
| 1.1.6 | Airport Management/ Operation | | | | | | |
| | 1161 | OCC should be further involved in airport management/ operation through public hearings, etc. in the definition and the promotion of the "public interest" in pursuit of increased competition and efficiency. | OCC's involvement in airport management/ operation | 2006 | See "Reforming Infrastructure – Privatization, Regulation, and Competition" A World Bank Policy Research Report, June 2004 | OCC | CMEA |
| | 1162 | A wide range of freedom should be given to the bonded transport of ULDs between the airport and forwarder's bonded warehouses outside airport. | Bonded transport of ULDs outside airport | 2005 | No bonded ULDs transportations between the airport and the outside airport have been done so far except import bulk cargoes. | MOF, DGCE, PT Angkasa Pula II, PT Garuda, PT-JAS | CMEA |
| | 1163 | Implement various improvement schemes to make full use of existing facilities such as: a. an adequate control system to minimize long-term-stored import cargoes b. more effective use of warehouse spaces by setting up mobile-type-lacks or high-rise-lacks c. expansion and renovation of the existing import truck dock d. improvement of traffic flow and parking lot | Implementation of "fill the time gap" measures | 2005 | Various measures to fill the time gap until the completion of a new full-fledged air cargo terminal are needed | MOF, DGCE, PT Angkasa Pula II, PT Garuda, PT-JAS | CMEA |
| 1.2 | Information Disclosure and Publicity | | | | | | |
| | 121 | The strategy for the information disclosure and publicity should be formulated by OCC. | Information Disclosure and Publicity Strategy | 2005 | "Transparency" is selected as one of the most important principles in the trade facilitation activities currently proposed by many international institutions. | OCC, CMEA, MOIC, MOF, MOI/MOT, MOC, MOA | CMEA |
| | 122 | A compilation and a revision systems of legal information and legal examples on import and export procedures should be established and implemented. It should be made available either handbook type or website version. | Legal handbook (paper and website) | 2006 | Collection of all the decrees, notifications and preceding examples are currently not available. | MOF, MOI/MOT, MOC, MOA, | CMEA |
| 1.3 | Government and Business Partnership (G&B Partnership) | | | | | | |
| | 131 | In order to make the reform user friendly and to utilize information collected by private sector, a built-in system of collecting private sectors opinions in every phases of the trade facilitation should be set in the entire reform system. | Built-in system of hearing user's opinions | 2005 and onward | "G&B Partnership" or PPP is selected as one of the most important principles in the trade facilitation activities currently proposed by many international institutions. G&B Partnership has advantage of being able to collect private sector's information. | CMEA, MOF, MOI/MOT, MOA, MOC, DGCE, DGSC, DGAC, INFA and other related private sector | CMEA |
| | 132 | The G&B permanent regular meeting systems with various relevant private sectors and of various levels such as head office level, branch level, etc. should be introduced into and fixed in the trade facilitation system. | G&B Meeting System | 2005 and onward | "User First" is one of the most important principles in the trade facilitation reform activities proposed by many international institution. The third country study in Malaysia has given a good successful example. See "The third country study" in the present report. | CMEA, MOF, MOI/MOT, MOA, MOC, DGCE, DGSC, DGAC, INFA and other related private sector | CMEA |

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| No. | [A] Policy Measures | [B] Action Plans | [C] Outputs | [D] Target Date | [E] Back Ground | [F] Executing Agency | [G] Oversight |
|-------|---|---|---|--------------------|---|---|------------------|
| 1.4 | Competition | 141 The competition strategy for the Jakarta Metropolitan port/ ports including both intra-port and inter-port competitions should be formulated. In formulating the inter-port competition strategy, full consideration should be given to the second port concept (SPC). 142 The competition strategy for the Jakarta Metropolitan airport should be formulated. | Intra-port/ inter-port competition strategy Airport Competition Strategy | 2006 2006 | "Competition is one of the most important principles in the trade facilitation reform activities proposed by international institutions. Competition is the mother of high efficiency, good services and reasonable prices. The introduction of competition in a public enterprise like a port is, in general, difficult. But Jakarta has a high possibility to realize competitive state, since there are enough port cargoes in Jakarta. Port in Metropolitan Areas in neighboring countries such as Bangkok and Kuala Lumpur are under keen competition, too. In particular, the Port of Bangkok and the Port of Laem Chabang, the good example of the "Second Port Concept" could be an useful example for Jakarta. See "Reforming Infrastructure – Privatization, Regulation, and Competition" A World Bank Policy Research Report. Jakarta has a power to collect air cargo, hence the introduction of competition in airport is highly possible as well. | MOC, DGSC MOC, DGAC, Angkasa Pula II | CMEA CMEA |
| 1.5 | Automation of Systems and Procedures | | | | | | |
| 1.5.1 | General | 1511 The IT strategy including current customs EDI and covering all the import/export procedures on the border should be formulated. | IT Strategy | 2005 and onward | The customs EDI has started recently. The strategy should include all the procedures executed by related ministries/agencies, B2B e-transactions, and other various element such as paperless, single window, introduction of various international standard, etc.. The strategy should also set targets along the time axis in accordance with step by step progress. Recently, UN/CEFACT has presented the following strategic paper about a single window; "RECOMMENDATION AND GUIDELINES ON ESTABLISHING A SINGLE WINDOW", UN/CEFACT RECOMMENDATION NUMBER 33, July 2004 and its complement. | MOF, DGCE, MOC, DGSC, DGAC | CMEA |

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Subject : Action Plan

Part 1 Trade Facilitation Measures

| No. | [A] Policy Measures | [B] Action Plans | [C] Outputs | [D] Target Date | [E] Back Ground | [F] Executing Agency | [G] Oversight | | |
|-------|---------------------------------------|--|--|---|---|------------------------------|---|------------------------------|------|
| 1.5.2 | Improvement of the Current EDI | 1521 Review on customs EDI for the followings: a. Human element still remains, b. Documentation necessary from other departments. c. Maintenance system is not 24 hours, d. Costly, e. Response is slow | Improved EDI | 2005 and onward | See the results of "Questionnaire Survey on the Customs Operations" conducted by the Team. 1123 is repeated here again. | MOF, DGCE | CMEA | | |
| | | 1522 Adoption of internationally compatible data formats based on such standard electronic formats as UN/EDIFACT or other standard formats. | New data formats | 2005 and onward | Substantial progress has been done in this connection. Still, continuation of the efforts is needed. | MOF, MOCI, MOI/MOT, MOC, MOA | CMEA | | |
| | | 1523 Early and timely information disclosure on a computer trouble, clear specification of its cause, restoration time, etc. | Early and timely announcement system to users | 2005 | After introduction of EDI, troubles generated on a communication line or a system may lead to a serious problem. | MOF, DGCE | CMEA | | |
| | | 1524 Introduction of a prior consultation and an appeal system into the current EDI | A prior consultation and an appeal system in the EDI | 2005 | In order to secure further convenience and effectiveness of EDI, a prior and an afterward responding system is necessary. | MOF, DGCE | CMEA | | |
| | | 1525 New system to monitor the user's opinion. | New system | 2005 and onward | User opinions to be reflected in the development of EDI system. | MOF, DGCE | CMEA | | |
| | | 1.5.3 | Further Development of IT | 1531 Maximize the contribution of e-commerce and ICT business applications to business entities' daily operation. | Decrees or regulations of related ministries or agencies. | 2006 and onward | Substantial progress has been done in this connection. Still, continuation of the efforts is needed particularly for the convenience of private sector. | MOF, MOCI, MOI/MOT, MOC, MOA | CMEA |
| | | | | 1532 Cultivate legal framework preparing for coming e-commerce/ e-transaction days | * Trade Law (draft) * Cyber law (draft) | 2005 and onward | The draft is close to submitted to the DPR. The draft is under examination among ministries concerned. 1124 is repeated here again. | MOI/MOT MOCI | CMEA |

Project : The Study on Trade Related Systems and Procedures in the Republic of Indonesia

Subject : Action Plan

Part 2 Investment In Infrastructure

| | [A] | [B] | [C] | [D] | [E] | [F] | [G] |
|-----|--|--|-------------------------------|-------------|---|------------------|-----------|
| No. | Policy Measures | Action Plans | Outputs | Target Date | Back Ground | Executing Agency | Oversight |
| 2.1 | Investment Policy | | | | | | |
| | 211 | The feasibility of the investment in the transport infrastructure should be confirmed. | Confirmation of Feasibility | 2006 | As the result of the present study, the necessity and the urgency of the investment in the transport infrastructure are confirmed. However, a full-fledged feasibility analysis is necessary for the decision of actual implementation. To this purpose, both IPP proposed in 232 and 332, and ATP proposed in 241 and 333 are recommended for the feasibility analysis. | MOC, DGSC, DGAC | CMEA |
| | 212 | The investment policy for ports, airports, access roads, etc. should be formulated in accordance with the trade facilitation strategy in 1112. | Investment Policy | 2006 | Investment in the transport infrastructure needs to be carried out under one unique policy. The investment policy could clearly show the Indonesia's will in the field of international trade and trade facilitation. | MOC, DGSC, DGAC | CMEA |
| 2.2 | Roles of the Port of Tanjung Priok (PTP) and the Soekarno-Hatta International Airport (SHIA) | | | | | | |
| | 221 | The future targets of PTP and SHIA in the investment policy should be the hubs for the sea and the air cargo flows respectively in the ASEAN region. | PTP and SHIA as regional hubs | 2006 | Partly because both PTP and SHIA have not played any hub functions so far, both port and airport cargoes handled in Jakarta are remarkably small compared to those in Bangkok or Kuala Lumpur. These differences in cargo volumes might be deemed much bigger by taking the Indonesia's economic scale, population, etc. into consideration. However, even this much of cargoes are approaching closely to the existing capacity of port and airport respectively. In the near future, capacity shortages will surely occur for the cargo increases due to the anticipated national economic development, if not for hub functions. All these situations lead to the conclusion that transport infrastructure investments are, in any case, inevitable. Thus, the best selection for the targets of investment will be the regional hubs both for the port and the airport. Note that hubs themselves are a kind of industry which can provide more jobs for the domestic market and can earn more foreign currency by handling not only Indonesian cargoes but also transship containers. | MOC, DGSC, DGAC | CMEA |

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Subject : Action Plan

Part 2 Investment In Infrastructure

| | [A] | [B] | [C] | [D] | [E] | [F] | [G] |
|-----|---------------------------------------|---|-----------------------|-----------------|--|------------------------------|-----------|
| No. | Policy Measures | Action Plans | Outputs | Target Date | Back Ground | Executing Agency | Oversight |
| 2.3 | PTP and Logistic Network System (LNS) | 222 Regional hub strategies should be formulated both for the port and the airport. | Regional Hub Strategy | 2006 | Since the ASEAN region is one of the keenest battlefield of hub competition in the world, all the efforts to realize hub should be paid under the national strategy. | MOC, DGSC, DGAC | CMEA |
| | | 223 A marketing strategy should be independently formulated as the central strategy of the entire regional hub strategy. | Marketing Strategy | 2006 | Since the regional hub competition is extremely keen, the importance of the marketing is immeasurable. What is most important for the marketing is to carry out various sales activities under one unique strategy. | MOC, DGSC, DGAC | CMEA |
| | | 231 The development plan of PTP prepared by JICA should be put immediately into implementation for the earliest completion. | Improved PTP | 2005 and onward | "Study for Development of Greater Jakarta Metropolitan Ports", JICA, 2003 | MOC, DGSC, IPC-2 | CMEA |
| | | 232 In order to realize a regional hub, an integrated port cargo flow development plan (Integrated Port Plan, IPP) should be formulated in accordance with the trade facilitation strategy (TFS), the competition strategy and regional hub strategy. | Investment Planning | 2006 | <p>Since the capacity and efficiency of a cargo flow would be decided by the weakest point along the cargo flow link, a cargo flow should be planned as one complete and continuous link. In this connection, full attention should be paid to the "Second Port Concept (SPC)" and the "Logistic Network System (LNS).</p> <p>SPC is the idea that in order to work together with and, at the same time, to compete with the existing old port (the First Port) with various and serious restrictions mostly due to the progress of urbanization of the hinterland city, a new port (the Second Port) with high locational freedom shall be built.</p> <p>A good example of the SPC is the pair of the Port of Bangkok and the Port of Laem Chabang in Thailand. In Japan, the Second Port is built on a big scale man-made-island built just in front of the First Port. Many big ports such as Yokohama, Kobe, Tokyo, Nagoya, Osaka, Hakata are examples of this type.</p> | MOC, DGSC, MOPW, DKI Jakarta | CMEA |

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Subject : Action Plan

Part 2 Investment In Infrastructure

| | [A] | [B] | [C] | [D] | [E] | [F] | [G] |
|------------|---------------------------|--|---------------------------|-------------|--|--|-----------|
| No. | Policy Measures | Action Plans | Outputs | Target Date | Back Ground | Executing Agency | Oversight |
| | | 233 There is an optimum location for inland functional facilities (IFF) in relation with the port and road networks. In case when, by setting a particular IFF at a particular location, the capacity and/or the efficiency of the entire LNS are improved markedly, or the total investment in LNS is saved substantially, some encouraging and guiding measures are thought to be necessary. Thus, a system to provide encouraging and guiding measures to that kind of IFF should be established. | Public involvement in IFF | 2006 | LNS physically consists of roads and inland functional facilities (IFF) and is the concept that a port cargo flow system is not an aggregate of separate facilities but a mutually connected one complete flow system. Since the road construction generally funded by the public sector, while the construction of IFF generally by the private sector, road and IFF are, in most cases, planned and built separately. LNS emphasizes the importance of planning and implementing both road and IFF jointly. Public involvement in IFF is necessary. | MOC, DGSC, DKI Jakarta, Private Sector | CMEA |
| 2.4 | Air Cargo Terminal | 241 A construction plan of a full- fledged air cargo terminal (ATP) should be formulated in accordance with the regional hub strategy. A step-by-step implementation plan should also be formulated. | NACT | 2006 | In order to become a regional hub, a gigantic air cargo terminal has been built in the surprisingly large site of the Kuala Lumpur International Airport. When SHIA will take off as a regional hub, much bigger terminal than existing one might be necessary. Hence, in addition to a full-fledged terminal plan, a step-by-step implementation plan needs to be prepared. | MOC, DGSC, MOPW, Private Sector | CMEA |
| 2.5 | Funding Plan | 2351 For both the port and the airport investments, funding plans with mutually compatible implementation schedule of individual facilities should be formulated. | Funding Plan | 2006 | Not only the development plan but also the funding plan should be mutually compatible among individual elements, so that the one complete and continuous LNS be finally realized. | MOC, MOPW, Private Sector | CMEA |

Project : The Study on Trade Related Systems and Procedures in the Republic of Indonesia

Subject : Action Plan

Part 3 Technical and Budgetary Supports

| No. | [A] Policy Measures | [B] Action Plans | [C] Outputs | [D] Target Date | [E] Back Ground | [F] Executing Agency | [G] Oversight |
|-----|----------------------------|---|--------------------------------------|--|---|---|------------------|
| 3.1 | Sources of Supports | | | | | | |
| 311 | | Various supporting schemes currently provided by many international institutions and developed countries such as capacity building (CB), ODA, etc. are recommended to supply the needs for technical and/or budgetary supports in the reform works. | Technical and budgetary supports | Corresponding to respective requirements | Since many international institutions and developed countries are currently eager to develop trade facilitation measures and to provide them to developing countries, it is highly probable to get various knowhows on trade facilitation upon request. | OCC, MOF, MOI/MOT, MOA, MOC | CMEA |
| 3.2 | Individual Supports | | | | | | |
| 321 | | In order to provide right supports to right issues at right time, an organized control of sources of supports and allocation of supports should be implemented by OCC. | OCC's involvement | 2005 and onward | The trade facilitation reform would need either technical or budgetary supports or both depending on the situation of respective issues. | OCC, MOF, MOI/MOT, MOA, MOC, Private Sector | CMEA |
| 3.3 | Project Supports | | | | | | |
| 331 | | The establishment of the "Trade Facilitation Center (TFC)" through a project support is recommended. Assigned works of TFC could be development, research and training on those issues that involve more than two ministries/agencies such as formulation of legal system, information disclosure, IT development, human resource development, etc. | TFC | 2005 | An institution which takes care of technical bases common to related ministries/ agencies is necessary. The TFC can be operated as the permanent clerical office for the OCC along with its original assignments. | All the relevant ministries and agencies | CMEA |
| 332 | | The formulation of the IPP and the confirmation of its feasibility through a project support is recommended. | IPP and its feasibility confirmation | 2006 | 232 is repeated here recommending the utilization of a project support. | MOC, DGSC | CMEA |
| 333 | | The formulation of the ATP and the confirmation of its feasibility through a project support is recommended. | ATP and its feasibility confirmation | 2006 | 241 is repeated here recommending the utilization of a project support. | MOC, DGAC | CMEA |

APPENDIX

- A. The Legal Infrastructure for Trade and Investment in Indonesia**
[Prof. Hikmahanto Juwana]
- B. Survey on Time Required for Processing Import and Export Cargo**
And Related Document (Details of Survey Items)
- C. Interview Record from the Survey in Thailand and Malaysia**
- D. Data Sheet 2: Questionnaire for Companies**
- E. RECORD OF SEMINAR**
 - I. Analysis and Summary of Responses from Seminar Attendance**
 - II. Record on Discussion of Seminar**
 - III. List of Participants to the Seminar**
 - IV. Photo Record**

Appendix A

**THE LEGAL INFRASTRUCTURE FOR
TRADE AND INVESTMENT IN INDONESIA***

*Hikmahanto Juwana**

Introduction

As Indonesia has entered into the global system, there has been reform on various statutory enactments in the fields of international trade and foreign investment. Basically the reform can be divided into five categories. The first category is the reform on outdated laws, second is the reform on laws to comply with international agreement, third is the reform on laws to improve investment climate, fourth is the reform on laws to comply with international issues and fifth is the reform on laws which is commonly recognized in industrial countries.

Reform on Outdated Laws

Reform on outdated laws can be divided into two categories, namely reform on colonial laws (laws enacted prior to Indonesian independence in 1945) and reform on laws after the independence.

1. Reform on Colonial Laws

Indonesia was a colony of the Dutch. In that period the Roman legal system was introduced to Indonesia. The concordance principle was applied in which the laws of the Netherlands were copied as closely as possible for the Netherlands Indies, a former name of Indonesia.² However, these laws were applied only to Dutch citizens and other occidentals. At a later stage the laws, to some extent, were applied also to the Orientals. The laws were not intended to be applicable to indigenous Indonesians.

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² Sudargo Gautama, *Essays in Indonesian Law*, 2nd ed., Bandung: Citra Aditya Bakti, 1993, 427.

After the independence many colonial laws have continued to be enforced. This is based on Article II of the transition provision provided under the Constitution.³ Hence, the Commercial Code (*Kitab Undang-undang Hukum Dagang*), the Civil Code (*Kitab Undang-undang Hukum Perdata*), and the Criminal Code (*Kitab Undang-undang Hukum Pidana*) to a certain extent remain the prevailing laws in Indonesia.⁴ The interesting point on the applicability of such colonial laws is that they are enforced on the basis of a translation to which there is no official translation promulgated by the government.⁵

Since its independence, Indonesia has committed itself to reform of its legal systems. The government established an institute under the Ministry of Justice, whose task is to carry out research, identify, discuss and prepare academic drafts on certain laws. The institute is known as the National Law Development Agency (*Badan Pembinaan Hukum Nasional*), better known as BPHN. However, proposals to reform various Acts are not prepared by BPHN only, especially when the matters are the concern of a certain ministry. In many instances the draft of statutory enactments are prepared by the technical ministry.¹

Since 1994 efforts to reform colonial laws have coincided with Indonesia's entry to globalization. Hence, the government has a policy of replacing the colonial laws while also harmonizing such laws with international economic policy at the same time.

A good example of such implementation is the promulgation of the Company Act.² The Company Act is intended to replace the provisions on limited liability company (*perseoran terbatas* or abbreviated as *P.T.*) found in the Commercial Code. Under the Commercial Code there are only 20 articles governing Limited Liability Company.³ This is sharp contrast as compared to the Company

³ Article II of the Constitution states as follows, "All existing State bodies and regulation shall continue until they are replace under this Constitution."

⁴ Some of the provisions are, however, declared as invalid since they contradict with Pancasila (State's ideology) and the Constitution.

⁵ In the 1963 the Supreme Court issued a circular letter confirming the then Minister of Justice Sahardjo opinion that the Civil and Commercial Codes are be longer to be deemed as strict written codifications, but merely as a record of customary conventions, which would be used by the courts as a guide in solving commercial and legal problems. See: Sudargo Gautama, *Essays in Indonesian Law*, p. 178.

¹ The reform on Capital Market Act, for example, was prepared by the Ministry of Finance.

² Act No. 1, Year 1995 (*Undang-undang No. 1 Tahun 1995 tentang Perseroan Terbatas*).

³ Article 36-56 of the Commercial Code.

Act in which there are 129 articles. The Company Act has given legal certainty since it reconfirms the previous many unwritten convention on Limited Liability Company. The unwritten conventions, which were reconfirmed in the Company Act, among others, are provisions relating to procedure to obtain approval on deed of establishment and articles of association from the Ministry of Justice, provisions on the minimum requirement on the content of articles of associations, and provisions on minimum capital requirement.

The Company Act also has introduced new concepts, such as minority shareholders protections, the possibility of a company to buy its own shares, fiduciary duties of the directors, procedures on acquisition, merger and consolidation, and provisions on conflict of interest. Furthermore, the Company Act provides strict sanctions, for example company which fails to have at least two shareholders will not be considered as having limited liability status, directors are personally liable if they are proven of mismanaging the company, a company can be dissolved by court order based on the public prosecutor office's application that such company has violated public interest, etc.

Another Act that falls under this category of reform is the Bankruptcy Act.⁴ The Bankruptcy Act of the colonial period was promulgated in 1905. Recently it was amended to conform with economic development in Indonesia, which is indicated by massive amounts of credits to companies. Such development requires a bankruptcy system that would enable creditors to facilitate efficient, swift and equitable repayment of the amount of credit owed by the debtors. It also necessitates a court that would exclusively handle bankruptcy matters and also calls for rules that provide better protection to the assets of the estate.

The revised Bankruptcy Act was promulgated on April 1998 but was declared to take affect within 120 days after its promulgation.⁵ Currently there is proposal to further amend the Bankruptcy law.

The reform of the Bankruptcy Act includes some 90 amendments, ranging from minor to major substantive changes. In this paper, only some of the amendments will be analyzed, in particular those that have a bearing on the later discussion.

⁴ The regulation on Bankruptcy was promulgated in the form of Government Regulation in Lieu of an Act (*Peraturan Pemerintah Pengganti Undang-undang*) No. 1, Year 1998 on 22 April 1998 (*Peraturan Pemerintah Pengganti Undang-undang No. 1 Tahun 1998 tentang Perubahan Atas Undang-undang tentang Kepailitan*), and subsequently was ratified by the parliament and promulgated as Act No. 4, Year 1998 (*Undang-undang No. 4 Tahun 1998 tentang Penetapan Peraturan Pemerintah Pengganti Undang-undang No. 1 Tahun 1998 tentang Perubahan Atas Undang-undang tentang Kepailitan*) on 9 September 1998.

⁵ Article II of Government Regulation in Lieu of an Act No. 1/1998

The Bankruptcy Act basically introduces two mechanisms to deal with debtors. The first mechanism is the petition to declare the debtor bankrupt with a view to liquidating the debtor's assets. Either the debtor itself or its creditor(s) can initiate this mechanism. The debtor under Act No. 4 of 1998 can be a "natural" as well as a "juridical" person. Under Article 1(1), a creditor who petitions for a declaration of bankruptcy has to satisfy two requirements. The first requirement is that the creditor must prove that the debtor has at least two debts. The second requirement is that the debtor has failed to pay at least one of the matured debts.

The second mechanism introduced is the moratorium on debt repayment. This mechanism does not aim at liquidation, but at giving room for the debtor to work out a solution or to restructure its debts. Under this mechanism, the debtor may request a moratorium to reach a compromise with creditors, including unsecured creditors. A plan for compromise is initiated by the debtor and has to be agreed by a certain number of unsecured creditors. The compromise will only take effect after the court sanctions it in the form of its ruling. Once a compromise takes effect, it will immediately end the moratorium.

The amendment also deals with the time period required for the operation of the two mechanisms. This was intended to resolve what was perceived as uncertain and lengthy delays by the courts in handing down their rulings. In the bankruptcy mechanism, for example, a strict timetable is fixed from the time when the petition is filed until the ruling is handed down by the court. The law provides that within 48 hours after a petition is filed, a date for a hearing has to be set. The hearing itself must be held within the following 20 days or, under certain circumstances, within 25 days.

The Bankruptcy Act established a commercial court. Each commercial court was structured under a district court and was considered to be a specialized chamber of that district court, similar to human rights and children courts. The jurisdiction of the commercial court was not restricted to bankruptcy matters, but also extended to other economic law cases. Currently, some IPR laws give jurisdiction to the commercial court to examine IPR cases.

The commercial court was first established in Jakarta within the Central Jakarta District Court. The commercial court in 2000 was further established in Surabaya, Semarang, Makassar, and Medan.

The revised bankruptcy law was used for the first time in September 1998, and as of October 1998 there have been 13 cases filed for bankruptcy petitions.⁶ This situation is very different from the situation prior to the revision of Bankruptcy Act. Petition for bankruptcy is very rare and, in fact, never heard of due to the ineffectiveness of the Act.

2. Reform on Laws Promulgated After Independence

⁶ Kartini Muljadi, "Salut Kepada Hakim Indonesia (Salute to Indonesian Judges)," *Jurnal Penyelesaian Utang* No. 1 (November 1998).

There have been many laws and regulations promulgated after the independence. But as Indonesia introduces a modern economic, such laws and regulations are considered as outdated. An example of this category of the law reform is the capital Market Act. After the Independence, the Capital Market Act was promulgated in 1952.⁷ Due to the expanding and rapid development of capital market around the end of 1980s and the fact that Indonesia is considered by foreign investors as becoming one of important financial centers in the Asia region, the government felt the need to revise the Capital Market Act.⁸

In 1996, a new Capital Market Act was introduced.⁹ The Act consist of 116 articles and modeled, to some extent, after the US Security Act. In comparison with the old Capital Market Act which only stipulates 9 articles, the revised Capital Market Act is more extensive. It stipulates institutions that previously never hear of, such as the custodian, various professions involved in the capital market, clearing house, investment manager and many others. The new Capital Market Act also provides provisions on trust fund, procedure for a private company to become public company, the supervisory agency known as Bapepam (*Badan Pengawas Pasar Modal*) and also provisions on the bourse itself. In Addition, the Act provides insider trading provisions, investigations and criminal sanction. To date there have been many implementing regulations issued to make the Capital Market Act operational.¹⁰ Currently there is proposal to further amend the Capital Market Act so to comply with international standard.

Another example of the law reform that falls under this category is the Banking Act. After independence, Banking Act was promulgated for the first time in 1967.¹¹ In 1992, the Banking Act was totally revised,¹² and further amended in 1998.¹³ The amendment in 1998 was carried out to

⁷ Act No. 15, Year 1952 (*Undang-undang No. 15 Tahun 1952 tentang Penetapan Undang-undang Darurat tentang Bursa*).

⁸ Prior to the enforcement of the Capital Market Act many rules are accommodated in the form of Badan Pengawas Pasar Modal (Capital Market Supervisory Agency) Chairman Decree.

⁹ Act No. 8, Year 1995 (*Undang-undang No. 8 Tahun 1995 tentang Pasar Modal*).

¹⁰ The implementing regulations range from Government Regulation, Presidential Decree, Minister of Finance Decree and, more are in the form of, Bapepam Chairman Decree.

¹¹ Act No. 14, Year 1967 (*Undang-undang No. 14 tahun 1967 tentang Pokok-pokok Perbankan*).

¹² Act No. 7, Year 1992 (*Undang-undang No. 7 Tahun 1992 tentang perbankan*).

comply with Indonesia's obligation after joining WTO. The provisions that were amended, among others, are the founders of commercial bank, restriction of share ownership, and management by foreigners. The amendment has opened the possibility for foreigners to become founders of commercial banks in Indonesia.¹⁴ Also there is no longer restriction on how many foreigners can buy shares of certain commercial bank.¹⁵ The amendment also revokes the provision that prohibits foreigners from being involved in the management of commercial banks.¹⁶

Law Reform to Conform with International Agreement

Indonesia has also reformed its laws in order to bring them into compliance with international agreements it has signed and ratified.

Under this category, Indonesia has reformed its Intellectual Property Rights (hereinafter abbreviated as "IPR") laws, which consist of Copyright Act, Patent Act, and Trademark Act to comply, in particular, with Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs).¹⁷

The Copyright Act was promulgated in 1982.¹⁸ The Act was intended to replace the Dutch colonial Copyright Act known as *Auteurswet* enforced in 1912.¹⁹ The Copyright Act has been

¹³ Act No. 10 Year 1998 (*Undang-undang No. 10 Tahun 1998 tentang Perubahan atas Undang-undang No. 7 tahun 1992 tentang Perbankan*).

¹⁴ Point 16 of Act No. 10/1998

¹⁵ Point 17 of Act No. 10/1998

¹⁶ Point 11 of Act No. 10/1998

¹⁷ The Agreement constitutes Annex IC of the WTO Agreement which Indonesia is a party

¹⁸ Act No.6, Year 1982 (*Undang-undang No.6 Tahun 1982 tentang Hak Cipta*).

¹⁹ For some Indonesian scholars, there are those who make a distinction between Copyright Act and *Auteurswet* by saying that the root of Copyright Act came from the common law system while the *Auteurswet* has its root from the civil law system. See: Muhammad Djumhana and R. Djubaedillah, *Hak Milik Intelektual: Sejarah, Teori dan Prakteknya di Indonesia* (Intellectual Property Rights: History, Theory and Practices in Indonesia), Bandung: Citra Aditya Bakti, 1993, p. 37-42.

amended three times. First in 1987²⁰, second in 1997²¹ and third in 2001 in order to comply with TRIPs.

Although under the Dutch colonial time there had been a Patent Act known as *Octrooiwet* promulgated in 1912, nevertheless since Indonesia's independence the enforcement of such law was not enforced by the government.²² It was until 1989 that Indonesia had a Patent Act.²³ In 1997 and 2001 the Patent Act was amended to comply with TRIPs.²⁴ The Trademark Act was also promulgated in 1912 under the Dutch colonial period. The Trademark Act was referred to as *Reglement Industriele Eigendom Kolonien*. After Indonesia's Independence the Dutch Trademark was replaced in 1961²⁵. In 1992, the 1961 Trademark Act was replaced by a new one.²⁶ The new Trademark Act was amended in 1997 again to comply with TRIPs.²⁷

By amending the three IPR laws, Indonesia's IPR laws have been substantially compatible with the internationally accepted standards. Furthermore Indonesia has introduced three other laws with respect to IPR, namely, The Industrial Design Act, Integrated Circuit Act and Trade Secret Act.

Another revision influenced by TRIPs is the Custom Act.²⁸ The Custom Act specifically accommodates Article 51 to Article 60 of TRIPs in Chapter 10 which consists of 12 articles.²⁹ The articles provide prohibition of infringement of IPR goods to enter Indonesia.

²⁰ Act No. 7, Year 1987 (*Undang-undang No.7 Tahun 1987 tentang Perubahan atas Undang-undang No.6 Tahun 1982 tentang Hak Cipta*)

²¹ Act No. 12, Year 1997 (*Undang-undang No.12 Tahun 1997 tentang Perubahan atas Undang-undang No.6 Tahun 1982 tentang Hak Cipta sebagaimana telah diubah dengan Undang-undang No.7 Tahun 1987*)

²² The reason for such discontinuation was that under the *actrooiwet* there is an obligation for patent application to be forwarded to *Octrooiraad* in the Netherlands. **See:** Muhammad Djumhana and R. Djubaedillah, *Hak Milik Intelektual: Sejarah, Teori dan Prakteknya di Indonesia*, 80.

²³ Act No.6, Year 1989 (*Undang-undang No.6 Tahun 1989 tentang Paten*)

²⁴ Act. 13, Year 1997 (*Undang-undang No.13 Tahun 1997 tentang Perubahan atas Undang-undang No.6 Tahun 1989 tentang Paten*).

²⁵ Act No.21, Year 1961 (*Undang-undang No.12 Tahun 1961 tentang Merek Perusahaan dan Merek Perniagaan*)

²⁶ Act.No 19, Year 1992 (*Undang-undang No. 19 Tahun 1992 tentang Merek*).

²⁷ Act No. 14, Year 1997 (*Undang-undang No.14 Tahun 1997 tentang Perubahan atas Undang-undang No. 19 Tahun 1992 tentang Merek*).

²⁸ Act No. 10, Year 1995 (*Undang-undang No. 10 Tahun 1995 tentang Kepabeanan*).

²⁹ Articles 53-64 of the Custom Act.

Another field of law that has been reformed is in the trade sector. As part of its commitment to free and trade, Indonesia has liberalized its trade regime and taken a number of important steps to reduce protection. To take an example, under the previous trade regime a foreign retail company was prohibited from operating in Indonesia.³⁰ Historically, import or export, wholesale and retail distributions were reserved for Indonesian companies. In 1988, such regulation was eased a little in order to give a company established under the Foreign Investment Act (hereinafter referred to as “PMA Company”) permission to carry out distribution activities.³¹ The PMA Company may distribute its goods under two conditions. First, the PMA Company is subsidiary of PMA Company who manufactures goods to be distributed in Indonesia. Second, the distribution activity of such PMA Company is only permitted to operate at the wholesale level; in other words the Company cannot sell its products directly to consumers.

In 1998 as the implementation of Indonesia’s commitment to free and open trade, the regulation was further deregulated so as to allow a PMA distribution company to enter in the retail business.³² In addition the government has allowed a PMA company engaging in the export and import business to sell its goods as retailer.³³

Law Reform to Improve Investment Climate

With the International economic policy adopted by many countries, including neighboring countries, Indonesia has to compete with them in attracting investors.

Under this category the laws that are reformed are in the sector of direct foreign investment. The reform is intended to make Indonesia more attractive in the eyes of foreign investors and, therefore, provide a favorable business climate. The Foreign Investment Act was promulgated in 1967 and to

³⁰ Government Regulation No.36, Year 1977 (*Peraturan Pemerintah No.36 Tahun 1977 tentang Pengakhiran Kegiatan Usaha Asing dalam Bidang Perdagangan*).

³¹ Government Regulation No.19, Year 1988 (*Peraturan Pemerintah No.19 Tahun 1988 tentang Perubahan Peraturan Pemerintah No.36 Tahun 1977 tentang Pengakhiran Kegiatan Usaha Asing dalam Bidang Perdagangan*).

³² Government Regulation No.15, Year 1998 (*Peraturan Pemerintah No.15 Tahun 1998 tentang Perubahan atas Peraturan Pemerintah No.36 Tahun 1977 tentang Pengakhiran Kegiatan Usaha Asing dalam Bidang Perdagangan sebagaimana telah diubah terakhir dengan Peraturan Pemerintah No.41 Tahun 1997*).

³³ Article I Government Regulation No.16, Year 1998 (*Peraturan pemerintah No.16 Tahun 1998 tentang Perubahan atas Peraturan Pemerintah No.2 Tahun 1996 tentang Kegiatan Perusahaan yang didirikan dalam rangka Penanaman Modal Asing di bidang Ekspor dan Impor, sebagaimana telah diubah dengan Peraturan Pemerintah No.42 Tahun 1997*).

date it has never been amended.³⁴ However, lower ranking legislations have amended some of the provisions found in the Foreign Investment Act. A good example is when 1994 the government issued Government Regulation No.20.³⁵ Such regulation is actually a response to the emergence of China and Vietnam, which have been active in opening up their economies to foreign investors. In the early 1990s, China and Vietnam are considered as a threat to Indonesian in the domain of foreign investment.³⁶

One of the provisions in the Foreign Investment Act that has been changed radically is the possibility for foreign investors to invest 100 per cent.³⁷ Such radical change was seen as a response for foreign investors who wanted to invest 100 per cent. In the past, one of the factors that made the investment climate in Indonesia not so attractive for the US investors was the fact that they were not allowed to invest 100 per cent.³⁸

Other example of reform in the reform in the investment sectors is the possibility for foreign investors to engage in activities, which were previously closed to them. Under Government Regulation No.20 foreign investors may enter in business activities, which are important to the State and considered as controlling people's need, such as harbors, electricity generation, telecommunication, shipping, airlines, water supply, railways, nuclear power and mass media.³⁹

In line with the above reform, the government felt the need to reform the Agrarian Act.⁴⁰ Even though to date the Agrarian Act has never been formally amended, based on lower ranking legislation it has been changed. For example, Government Regulation No.40/1996 opens possibility for investment purposes to extend land entitlement in advance,⁴¹ namely, the Right of Cultivation (Hak

³⁴ Act No.1, Year 1967 (*Undang-undang tentang Penanaman Modal Asing*).

³⁵ Government Regulation No.20, Year 1994 (*Peraturan Pemerintah No.20 Tahun 1994 tentang Pemilikan Saham dalam Perusahaan yang Didirikan dalam Rangka Penanaman Moda Asing*).

³⁶ A. Zen Umar Purba, "Reformasi Hukum dan Globalisasi: Peta Hukum Ekonomi & Pengadilan Kita (*Law Reform and Globalization: The Map of Economic Law and the Court*), paper presented at the Symposium held by University of Indonesia, 1 April 1998,p.6.

³⁷ Article 2 (1) Government Regulation No.20/1994.

³⁸ Pandji Anoraga, *Perusahaan Multi nasional: Penanaman Modal Asing* (Multinational Companies: Foreign Investment),Jakarta: Dunia Pustaka Jaya, 1995,p. 101.

³⁹ Article 5 (1) Government Regulation No.20/1994

⁴⁰ Act No.5, Year 1960 (*Undang-undang No.5 Tahun 1960 tentang Peraturan Dasar Pokok-pokok Agraria*).

⁴¹ Government Regulation No.40, Year 1996 (*Peraturan Pemerintah No.40 Tahun 1996 tentang Hak Guna Usaha, Hak Guna Bangunan dan Hak Pakai Atas Tanah*).

Guna Usaha or abbreviated as HGU),⁴² the Right of Building (Hak Guna Bangunan or abbreviated as HGB)⁴³ and the Right of Use (Hak Pakai).⁴⁴ Such schemes are urgently needed by Indonesia to face fierce competition from countries that give longer periods of land ownership. Prior to issuance of Government Regulation No.40, an HGU holder is only entitled to have 60 years of land ownership, HGB for 50 years and Hak Pakai for 45 years. After the issuance of Government Regulation No. 40, theoretically, HGU holder may hold for a period of 120 years, while HGB for 100 years and Hak Pakai for 90 years. Such figures are much longer than those in China, which gives investors a range of 75-100 years of land ownership.⁴⁵

Law Reform to Comply with International Issues

International community has long concerned itself with issues that are considered to have no national borders. The issues are commonly referred to as international issues. The prevailing international issues, among others, are respect for human rights and environment issues. Indonesia has given its particular concern to these two international issues.

In this category the law, which has been reformed is the Employment Act. In 1997 a new Employment Act was promulgated to replace the Employment Act under the colonial period and those promulgated soon after the independence.⁴⁶ The new Employment Act would have come into effect on 1 October 1998. However, by virtue of its amendment the effective date was postponed to 1 October 2000.⁴⁷ The postponement is intended to give time to revise the new Employment Act so as to comply fully with international norms.⁴⁸ There have been many criticisms being voiced on the Employment Act, despite it has given sufficient welfare protection to worker. One of the criticisms is the fact that the Act has failed to give freedom for workers to organize a labor union.⁴⁹ The revision is expected to further ease restrictions on unions.

⁴² HGU is the right to use State-owned land for the purposes of agriculture, fishing or cattle raising.

⁴³ HGB is the right to construct and own buildings.

⁴⁴ Hak pakai is the right to use land for a specific purpose.

⁴⁵ Pandji Anoraga, *Perusahaan Multi nasional: Penanaman Modal Asing*, p. 97.

⁴⁶ Act No.25, Year 1997 (*Undang-undang No.25 Tahun 1997 tentang Ketenagakerjaan*).

⁴⁷ Act No.11, Year 1998 (*Undang-undang No.11 Tahun 1998 tentang perubahan Berlakunya Undang-undang No.25 Tahun 1997 tentang Ketenagakerjaan*).

⁴⁸ Consideration of Act No.11/1998.

⁴⁹ Indonesia, however, on 5 June 1998 has ratified the Convention concerning Freedom of Association and Protection of the Right to Organize (Presidential Decree No. 83, Year 1998).

Apart from respect on human rights, an issue that has been given special attention is an environment. Indonesia promulgated its Environmental Act in 1982.⁵⁰ As a result of international development, the Act was totally revised in 1997.⁵¹ The revision was done due to, among others, the pressing need for environment management in ensuring the success of sustainable development. This need is not only compatible with growing level of awareness of the Indonesia society but also commensurate with the development of global environment and International law instruments.⁵²

Law Reform as Industrial Country

As Indonesia is in the process of becoming an industrialized country, it has to have laws that are commonly recognized by industrialized countries. The laws, which Indonesia has to adopt, among others, are Competition Act and Consumer Protection Act.

The efforts for Indonesia to have the Competition Act have been great but arduous. In the State Guidelines (Garis Besar Haluan Negara) it has been stated over and over that unfair competition, monopoly and monopsony are harmful to the people and, thus, contradict social justice.⁵³ Furthermore, monopoly practices at national level may become an obstacle for Indonesia's participation in the various international free trade instruments in the era of globalization.⁵⁴

There have been many academic drafts as well as drafts from political parties on this matter. At the end of 1998, the government and parliament started to discuss the Competition Bill. In March 5, 1999 a competition law entitled the Law on the Prohibition of Monopoly Practices and Unfair Competition was promulgated.⁵⁵ The Act took effect one year after it was passed and not until June 2000, after members of Fair Trade Commission were appointed, did the Act is in full force. Today there are two cases decided by the Fair Trade Commission using the Competition Law.

Under Law No. 5/1999 there are three categories that business is prohibited from engaging. First,

⁵⁰ Act No.4, Year 1982 (*Undang-undang No.4 Tahun 1982 tentang Ketentuan-ketentuan Pokok Pengelolaan Lingkungan Hidup*).

⁵¹ Act No.23, Year 1997 (*Undang- undang No.23 Tahun 1997 tentang Pengelolaan Lingkungan Hidup*).

⁵² Consideration (d) of Act No. 23/1997).

⁵³ State Guidelines 1998-2003, Chapter II Letter G.

⁵⁴ Hikmahanto Juwana, *Perlunya Undang-undang Antimonopoli: Agenda Mendesak Untuk Tatanan Masa Depan Indonesia* (The Need for Antimonopoly Act: An Urget Agenda for the Future of Indonesia), paper presented at the Symposium held by University of Indonesia, 1 April 1998, p.6.

⁵⁵ Law No.5, Year 1999.

the business actor is prohibited from entering into an agreement which result in, amongst others, oligopoly situation, price fixing, trust, oligopsony. Second, business actor is prohibited to perform activities, which may cause monopoly, monopsony and market control. Third, the Competition Act prohibits the abuse of dominant position by business actor.

Table A2.3.1 Ship Arrival/Departure Procedure

| No. | Procedure | | Document | Description | Provided by or Instructed by | Informed to or Examined by | Regulation/ Remarks |
|-----|-------------------------------------|--------------|--------------|---|------------------------------|----------------------------|---|
| 1 | Approach to Tg. Priok Port | | RKSP (BC1.0) | Information of arrival (purpose of enter, No of crew, goods, etc.) | Shipping agent | Customs | 24 hours before (out of Scope) |
| | Ditto | | JKSP (BC1.0) | Schedule of arrival (Scheduled operation) | Shipping agent | Customs | 12 hours before (out of Scope) |
| 2 | Arrive at Port Limit (Arrival Time) | | PPKB (1) | Service request (Berth allocation, tug, bunker and other port services) | Shipping agent | PELINDO II | 12 hours before |
| 3 | Anchor Start | Anchorage | PPKB (1) | Instruction | PELINDO II | Shipping agent | (Scope of Work under the Study covers after this point) |
| 4 | Anchor End | Layover Time | PPKB (1) | Berth allocation | PELINDO II | Shipping agent | |
| 5 | Enter Port | | PPKB (1) | Arrangement of Pilot and Tugs | PELINDO II | Shipping agent | |
| 6 | Docking (Berthing Time) | | PPKB (1) | Mooring gang | PELINDO II | Shipping agent | |
| 7 | Discharge Operation Start | | | Discharge approval | Shipping agent | Customs | Confirm RKSP |
| 8 | Loading Operation Complete | | | | | | |
| 9 | Off Docking (Sail out Time) | | PPKB (2) | Arrangement of Pilot and Tugs | PELINDO II | Shipping agent | |
| | | | | | | | |
| | | | | | | | |

Note: PPKB shall be provided 2 times

Table A2.3.2 Cargo Clearance Procedure (Import FCL Container/Conventional Cargo – Green and Red Channel)

| Channel Line | | Procedure | Document | Description | Provided by or Instructed by | Informed to or Examined by | Regulation/ Remarks |
|--------------|-----|---|------------------------------|--|--|-----------------------------|---------------------------|
| Green | Red | | | | | | |
| 1 | 1 | Discharge/Unloading | Berth Plan | Berthing time, cranes arrangement, No. of handling containers and time | Container Terminal (JICT) | Internal data | |
| 2 | 2 | Transport to Stacking Area | Yard Plan | Yard chassis, stacking lots | JICT | Internal data | |
| 3 | 3 | Stacking in Container Yard | Yard Plan | Marshaling record | JICT | Internal data | |
| 4 | 4 | Submission of Required Documents | Manifest, Packing list, etc. | Payment of Dues and Taxes shall be completed. Information of payment will be made by Bank to Customs | Shipping Agent, Consignee, Custom Broker | Customs | Before declaration of PIB |
| 5 | 5 | Declaration of Import | PIB (BC 2.0) | | Consignee/Broker | Customs | By EDI |
| - | 6 | In Case of Physical Inspection | Instruction | Include Analysis Process by Customs | Customs | Consignee/Broker | By EDI |
| - | 7 | Preparation of Inspection | | Shift Container to Inspection Area | Consignee/Broker | | |
| - | 8 | Inform to Customs for Inspector | | Ready for Inspection | Consignee/Broker | Customs | |
| - | 9 | Commencement of Inspection | | | | Customs | |
| - | 10 | Completion of Inspection | LHP | Inspection Report | Customs | Customs | |
| - | 11 | In Case of Insufficient Document or Payment | Instruction | Including Quarantine Certificate instructed at Analyzing Point | Customs | Consignee/Broker | |
| - | 12 | Submission of Necessary Document | Additional document | Provision of Additional Document or Receipt of Additional Payment | Consignee/Broker | Customs, Document Inspector | |
| 6 | 13 | Approval for Release of Goods | SPPB | | Customs | Consignee/Broker | |
| 7 | 14 | Loading to Lorry | D/O | D/O: Delivery Order | Shipping Company | Consignee/Broker | |
| 8 | 15 | Gate out | | Approved by Customs and Terminal | Consignee/Broker | Customs/Terminal | |
| 9 | 16 | Arrival at Destination | | | | | |

Table A2.3.3 Cargo Clearance Procedure (Import LCL Container – Green and Red Channel)

| Cannel Line | | Procedure | Document | Description | Provided by or Instructed by | Informed to or Examined by | Regulation/ Remarks |
|-------------|-----|---|----------------|---|---------------------------------|-------------------------------|------------------------|
| Green | Red | | | | | | |
| 1 | 1 | Discharge/Unloading | Berth Plan | Same as Table 2.3.2 (Import FCL Container) | | | |
| 2 | 2 | Transport to Stacking Area | Yard Plan | Same as Table 2.3.2 (Import FCL Container) | | | |
| 3 | 3 | Stacking in Container Yard | Yard Plan | Same as Table 2.3.2 (Import FCL Container) | | | |
| 4 | 4 | Request of Transport to CFS | Request | | CFS/Broker | Customs | |
| 5 | 5 | Transport to CFS from CY Gate | BC1.1 | | CFS | Customs | |
| 6 | 6 | Arrival at CFS | | | | | |
| 7 | 7 | Devanning | | Opening containers | Customs and CFS | | |
| 8 | 8 | Submission of Required Documents | Manifest, etc. | Same as Table 2.3.2 (Import Conventional Cargo) | | | |
| 9 | 9 | Declaration of Import | PIB (BC2.0) | Same as Table 2.3.2 (Import Conventional Cargo) | | | |
| - | 10 | In Case of Physical Inspection | Instruction | Same as Table 2.3.2 (Import Conventional Cargo) | | | |
| - | 11 | Preparation of Inspection | | Same as Table 2.3.2 (Import Conventional Cargo) | | | |
| - | 12 | Inform to Customs for Inspector | | Same as Table 2.3.2 (Import Conventional Cargo) | | | |
| - | 13 | Commencement of Inspection | | Same as Table 2.3.2 (Import Conventional Cargo) | | | |
| - | 14 | Completion of Inspection | LHP | Same as Table 2.3.2 (Import Conventional Cargo) | | | |
| - | 15 | In Case of Insufficient Document or Payment | Instruction | Same as Table 2.3.2 (Import Conventional Cargo) | | | |
| - | 16 | Submission of Necessary Document | Additional | Same as Table 2.3.2 (Import Conventional Cargo) | | | |
| 10 | 17 | Approval for Release of Goods | SPPB | Same as Table 2.3.2 (Import Conventional Cargo) | | | |
| 11 | 18 | Loading to Trailer/Lorry | D/O | Same as Table 2.3.2 (Import Conventional Cargo) | | | |
| 12 | 19 | Gate out | | Same as Table 2.3.2 (Import Conventional Cargo) | | | |
| 13 | 20 | Arrival at Destination | | Same as Table 2.3.2 (Import Conventional Cargo) | | | |

Table A2.3.4 Cargo Clearance Procedure (Export Case - FCL/LCL Container and Conventional Cargo)

| No. | Procedure | Document | Description | Provided by or Instructed by | Informed to or Examined by | Regulation/ Remarks |
|-----|--|--------------|---|------------------------------|----------------------------|---------------------|
| 1 | Declaration of Export | PEB | | Consigner/Broker | Customs | |
| 2 | Completion of Vanning of Container at Origin | | At Factory, Warehouse, CFS | | | |
| 3 | Transport to Port from Origin | | From Factory, Warehouse, CFS | | | |
| 4 | Gate in to Yard | Confirmation | | Consigner/Broker | Customs | |
| 5 | Stacking in Yard | Yard Plan | Marshaling Record | JICT | | |
| 6 | Loading to Ship | Berth Plan | Berthing time, Departure time, name of ship | JICT | | |

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Table A2.3.5 Aircraft Arrival/Departure Procedure

| No. | Procedure | Document | Description | Provided by or Instructed by | Informed to or Examined by | Regulation/ Remarks |
|-----|------------------------------------|--------------|---|------------------------------|----------------------------|---|
| 1 | Approach to Soekarno-Hatta Airport | RKSP (BC1.0) | Information about purpose of landing (No of crew, passenger, goods, origin, etc.) | Airline Agent | Customs | |
| 2 | Landing time | | Ramp allocation | ANGKASA PURA II | Agent | |
| 3 | Unloading Operation Time | | Commencement and Completion | | | Details are given in Table 2.3.6, 2.3.7 |
| 4 | Loading Operation Time | | Commencement and Completion | | | |
| 5 | Start Time of Taxiing | | | Airline/Terminal | | |
| 6 | Take off Time | | | Airline/Terminal | | |

Table A2.3.6 Cargo Clearance Procedure (Import Air Cargo – Green and Red Channel)

| Channel Line | | Procedure | Document | Description | Provided by or Instructed by | Informed to or Examined by | Regulation/ Remarks |
|--------------|-----|---|------------------------------|--|--|-----------------------------|---------------------------|
| Green | Red | | | | | | |
| 1 | 1 | Unloading ULD/Pallet Cargo from Aircraft at spot in apron | | Commencement and Completion (ULD: Unit Loading Device) | | | |
| 2 | 2 | Transport to Warehouse | | Commencement and Completion | | | |
| 3 | 3 | Breakdown ULD/Pallet Cargo | | Commencement and Completion | | | |
| 4 | 4 | Temporary Storage in Warehouse | | Commencement and Completion | | | |
| 5 | 5 | Submission of Required Documents | Manifest, Packing list, etc. | Payment of Dues and Taxes shall be completed. Information of payment will be made by Bank to Customs | Shipping Agent, Consignee, Custom Broker | Customs | Before declaration of PIB |
| 6 | 6 | Declaration of Import | PIB | | Consignee/Broker | Customs | |
| - | 7 | In Case of Physical Inspection | Instruction | Include Analysis Process by Customs | Customs | Consignee/Broker | By EDI |
| - | 8 | Preparation for Inspection | | | Consignee/Broker | | |
| - | 9 | Inform to Customs for Inspector | | Ready for Inspection | Consignee/Broker | Customs | |
| - | 10 | Commencement of Inspection | | | | | |
| - | 11 | Completion of Inspection | LHP | Inspection Report | Customs | Customs | |
| - | 12 | In Case of Insufficient Document or Payment | Instruction | Including Quarantine Examination instructed at Analyzing Point | Customs | Consignee/Broker | |
| - | 13 | Submission of Necessary Document | Additional Document | Provision of Additional Document or Receipt of Additional Payment | Consignee/Broker | Customs, Document Inspector | |
| 7 | 14 | Approval for Release of Goods | SPPB | | Customs | Consignee/Broker | |
| 8 | 15 | Loading to Lorry and Gate out | | Approved by Customs and Warehouse | Consignee/Broker | Customs/Warehouse | |
| 9 | 16 | Arrival at Destination | | | | | |

Table A2.3.7 Cargo Clearance Procedure (Export Air Cargo)

| No. | Procedure | Document | Description | Provided by or Instructed by | Informed to or Examined by | Regulation/ Remarks |
|-----|--------------------------------------|----------|-----------------------------|------------------------------|----------------------------|---------------------|
| 1 | Declaration of Export | PEB | | Consignor/Broker | Customs | EDI |
| 2 | Transport to Warehouse | | | Consignor | | |
| 3 | Arrival at Warehouse | | | | | |
| 4 | Confirmation of Export by Customs | | | Consignor/Broker | Customs | |
| 5 | Storage at Warehouse | | Bonded Cargo | Warehouse | | |
| 6 | Build up ULD/Pallet Cargo | | Commencement and Completion | Warehouse | | |
| 7 | Transport to Spot | | Commencement and Completion | Warehouse | | |
| 8 | Loading to Aircraft at spot in apron | | Commencement and Completion | Air Terminal | | |
| 9 | Start time of Taxiing | | | Airline/Terminal | | |
| 10 | Take off Time | | | Airline/Terminal | | |
| | | | | | | |
| | | | | | | |

Table A2.3.8 Shipping Survey Sheet

| | | | |
|-------------------|--|--------------------------|--|
| | | PPKB No. | |
| PPKB Entry Date: | | Name of Vessel | |
| VOYAGE No. | | Name of Shipping Company | |
| Berth No. | | Name of Agent | |
| Date of Arrival | | Port of Origin | |
| Date of Departure | | Port of Destination | |

| No. | Description | Activity | Record Time | | | | Type of Document Required By Authority |
|-----|---------------------|--------------------------------------|-------------|------|----|--------|--|
| | | | month | date | hr | minute | |
| | | | | | | | One Roof Service Center |
| 1 | Shipping Schedule | Arrival Time at Anchorage (Proposed) | | | | | Produce RKSP by Shipper for Customs |
| 2 | Shipping Schedule | Arrival Time at Anchorage (Proposed) | | | | | |
| 3 | Approach to Port | Issue of Entrance Permission | | | | | Entrance Permission issued by Port (Customs is not involved) |
| 4 | Anchor Time | Anchor Start | | | | | PPKB Permintaan Pelayanan Kapal & Barang (Service request) |
| 5 | | Allocation of Berth by PELINDO II | | | | | Port Entrance and Berthing Plan |
| 6 | Berthing Time | Anchor End | | | | | |
| 7 | | Docking Time | | | | | |
| 8 | Unloading / Loading | Unloading Approval | | | | | Unloading / Loading Approval from Port or Customs |
| 9 | | Start of Unloading Operation | | | | | |
| 10 | | End of Unloading Operation | | | | | |
| 11 | Off Docking Time | Time of Departure | | | | | |
| 12 | Document | Submitted | | | | | Manifest, Packing List, Power of Attorney, B/L |
| 13 | | Accepted | | | | | |
| 14 | | Payment for Port Dues | | | | | Payment (Port Dues and Service Charge) |
| | | | | | | | |

Table A2.3.9 Customs Survey Sheet (Import)

| | | | |
|-------------------|--|--------------------------|--|
| | | PPKB No. | |
| PPKB Entry Date: | | Name of Vessel | |
| VOYAGE No. | | Name of Shipping Company | |
| Berth No. | | Name of Agent | |
| Date of Arrival | | Port of Origin | |
| Date of Departure | | Port of Destination | |

| | | | |
|--|--|-------------------------------|--|
| Import Declaration Document (PIB) | | Customs Office | |
| Type of PIB | | Customs Declaration No. | |
| Type of Import | | Invoice No. | |
| Method of Payment | | No. of BL, SWB, AWB, House BL | |
| HS No. (Harmonized System) | | Container No. | |

| No. | Description | Activity | Record Time | | | | Information and Remarks |
|-----|---|------------------------------------|-------------|------|----|--------|--|
| | | | month | date | hr | minute | |
| 1 | Stacking Container / Goods in Yard | Start of Unloading Operation | | | | | 1. Transport Document <input type="checkbox"/> B/L, <input type="checkbox"/> SWB |
| 2 | | End of Unloading Operation | | | | | |
| 3 | Payment of Duties and Taxes | Payment of Taxes and Duties | | | | | 2. Type of Document <input type="checkbox"/> Prescribed, <input type="checkbox"/> Others |
| 4 | PIB (Import Declaration) | Lodgment of Declaration | | | | | 3. Form of Declaration <input type="checkbox"/> Electrical, <input type="checkbox"/> Manual |
| 5 | | Customs Response to Declaration | | | | | |
| 6 | * Type of Document | Additional Data Required (First) | | | | | |
| 7 | | Additional Data Submitted (First) | | | | | |
| 8 | * Type of Document | Additional Data Required (Second) | | | | | |
| 9 | | Additional Data Submitted (Second) | | | | | |
| 10 | Physical Inspection | Physical Inspection Required | | | | | 4. Goods of Regime <input type="checkbox"/> Gold, <input type="checkbox"/> Green, <input type="checkbox"/> Red <input type="checkbox"/> Bonded Zone, <input type="checkbox"/> Others Remarks: |
| 11 | * Type of Inspection (<input type="checkbox"/> Random, <input type="checkbox"/> All) | Start of Physical Inspection | | | | | |
| 12 | | End of Physical inspection | | | | | |
| 13 | LHP (Examination Report) | Issue of Customs Inspection Report | | | | | 5. Name of Goods |
| 14 | Laboratory analysis | Laboratory Analysis Required | | | | | |
| 15 | | Start of Laboratory analysis | | | | | |
| 16 | | End of Laboratory Analysis | | | | | |
| 17 | | Issue of Report for analysis | | | | | |
| 18 | SPPB, BC 2.3 | Release Approval from Customs | | | | | 6. Type of Cargo <input type="checkbox"/> FCL, <input type="checkbox"/> LCL, <input type="checkbox"/> Others |
| 19 | Pick up (Lift on) | Release Approval from Terminal | | | | | |
| 20 | Payment of Terminal Charge | CY/CFS Gate Out | | | | | |
| 21 | | Arrival at Factory / CFS | | | | | |
| | | | | | | | 7. Name of Customs Broker |

Table A2.3.10 Customs Survey Sheet (Export)

| | | | |
|-------------------|--|--------------------------|--|
| | | PPKB No. | |
| PPKB Entry Date: | | Name of Vessel | |
| VOYAGE No. | | Name of Shipping Company | |
| Berth No. | | Name of Agent | |
| Date of Arrival | | Port of Origin | |
| Date of Departure | | Port of Destination | |

| | | | |
|--|--|-------------------------------|--|
| Import Declaration Document (PEB) | | Customs Office | |
| Type of PEB | | Customs Declaration No. | |
| Type of Import | | Invoice No. | |
| Method of Payment | | No. of BL, SWB, AWB, House BL | |
| HS No. (Harmonized System) | | Container No. | |

| No. | Description | Activity | Record Time | | | | Information and Remarks |
|-----|---|------------------------------------|-------------|------|----|--------|--|
| | | | month | date | hr | minute | |
| 1 | CFS (in case of LCL) | Cargo Accepted by CFS | | | | | 1. Transport Document <input type="checkbox"/> B/L, <input type="checkbox"/> SWB |
| 2 | PEB (Export Declaration) | Lodgment of Declaration | | | | | 2. Type of Document <input type="checkbox"/> Prescribed, <input type="checkbox"/> Others |
| 3 | | Customs Response to Declaration | | | | | 3. Form of Declaration <input type="checkbox"/> Electrical, <input type="checkbox"/> Manual |
| 4 | * Type of Document | Additional Data Required (First) | | | | | 4. Goods of Regime <input type="checkbox"/> Gold, <input type="checkbox"/> Green, <input type="checkbox"/> Red <input type="checkbox"/> Bonded Zone, <input type="checkbox"/> Others Remarks: |
| 5 | | Additional Data Submitted (First) | | | | | |
| 6 | * Type of Document | Additional Data Required (Second) | | | | | 5. Name of Goods |
| 7 | | Additional Data Submitted (Second) | | | | | |
| 8 | Physical Inspection | Physical Inspection Required | | | | | 6. Type of Cargo <input type="checkbox"/> FCL, <input type="checkbox"/> LCL, <input type="checkbox"/> Others |
| 9 | * Type of Inspection | Start of Physical Inspection | | | | | |
| 10 | (<input type="checkbox"/> Random, <input type="checkbox"/> All) | End of Physical inspection | | | | | |
| 11 | LHP (Examination Report) | Issue of Customs Inspection Report | | | | | |
| 12 | Laboratory analysis | Laboratory Analysis Required | | | | | 7. Name of Customs Broker |
| 13 | | Start of Laboratory analysis | | | | | |
| 14 | | End of Laboratory Analysis | | | | | |
| 15 | | Issue of Report for analysis | | | | | |
| 16 | SPPB, BC 2.3 ?? | Export Approval from Customs | | | | | |
| 17 | Container Bunning | at CFS | | | | | |
| 18 | JICT 1 | Gate in time | | | | | |
| 19 | | Start of Unloading Operation | | | | | |
| 20 | | End of Unloading Operation | | | | | |

Table A2.3.11 Air Cargo Survey Sheet (Import - ULD/Consolidated)

| General | |
|--|---|
| 1 Region <u>Soekarno-Hatta Airport</u> | 2 Customs Office _____ |
| 3 Name of Carrier Carrier: _____ Flight No. _____ | 4 Arrival (Landing) Time Date Month [] [] [] |
| 5 Terminal Arrival Spot No.: _____ Arrival Time at Spot: Time Date Month [] [] [] | Remarks |

| Document | |
|---|---|
| 6 Unloading Time of Documents Pouch from Aircraft: Time Date Month [] [] [] Arrival Time of Document Pouch at Warehouse Office: Time Date Month [] [] [] | 7 Ready for Delivery Time of First Document at Warehouse Counter Time Date Month [] [] [] Ready for Delivery Time of Last Document at Warehouse Counter Time Date Month [] [] [] |
| 8 Manifest Submitted to Customs: Time Date Month [] [] [] | Manifest Accepted by Customs: Time Date Month [] [] [] |

| Cargo | |
|---|--|
| 9 Start Time of Unloading ULD/Bulk Cargo from Aircraft: Time Date Month [] [] [] Finish Time of Unloading ULD/Bulk Cargo from Aircraft: Time Date Month [] [] [] | 10 Arrival Time of First ULD/Bulk Cargo at Warehouse: Time Date Month [] [] [] Arrival Time of Last ULD/Bulk Cargo at Warehouse: Time Date Month [] [] [] |
| 11 Start Time of Breakdown of ULD Cargo at Warehouse: Time Date Month [] [] [] Finish Time of Breakdown of ULD Cargo at Warehouse: Time Date Month [] [] [] | 12 Start Time of Temporary Storage at Warehouse: Time Date Month [] [] [] Finish Time of Temporary Storage at Warehouse: Time Date Month [] [] [] |

| Special Notes |
|---------------|
| _____ |
| _____ |
| _____ |
| _____ |
| _____ |

Table A2.3.12 Air Cargo Survey Sheet (Export - ULD/Consolidated)

| General | |
|--|---|
| 1 Region Soekarno-Hatta Airport | 2 Customs Office _____ |
| 3 Name of Carrier Carrier: _____ Flight No. _____ | 4 Terminal Departure Spot No.: _____ Departure Time at Spot: Time Date Month <input type="text"/> <input type="text"/> <input type="text"/> |
| 5 Departure Take Off Time: Time Date Month <input type="text"/> <input type="text"/> <input type="text"/> | Remarks |

| Document | |
|---|---|
| 6 Acceptance Time of First Document at Warehouse Counter: Time Date Month <input type="text"/> <input type="text"/> <input type="text"/> Acceptance Time of Last Document at Warehouse Counter: Time Date Month <input type="text"/> <input type="text"/> <input type="text"/> | 7 Dispatch Time of Document Pouch at Office: Time Date Month <input type="text"/> <input type="text"/> <input type="text"/> Loading Time of Document Pouch onto Aircraft: Time Date Month <input type="text"/> <input type="text"/> <input type="text"/> |
| 8 Manifest Submitted to Customs: Time Date Month <input type="text"/> <input type="text"/> <input type="text"/> | Manifest Accepted by Customs: Time Date Month <input type="text"/> <input type="text"/> <input type="text"/> |

| Cargo | |
|---|--|
| 9 Start Time of Buildup of ULD Cargo at Warehouse: Time Date Month <input type="text"/> <input type="text"/> <input type="text"/> Finish Time of Buildup of ULD Cargo at Warehouse: Time Date Month <input type="text"/> <input type="text"/> <input type="text"/> | 10 Arrival Time of First ULD/Bulk Cargo at Departure Spot: Time Date Month <input type="text"/> <input type="text"/> <input type="text"/> Arrival Time of Last ULD/Bulk Cargo at Departure Spot: Time Date Month <input type="text"/> <input type="text"/> <input type="text"/> |
| 11 Start Time of Loading ULD/Bulk Cargo onto Aircraft: Time Date Month <input type="text"/> <input type="text"/> <input type="text"/> | Finish Time of Loading ULD/Bulk Cargo onto Aircraft: Time Date Month <input type="text"/> <input type="text"/> <input type="text"/> |

| |
|--|
| [Special Notes] _____ _____ _____ _____ _____ |
|--|

Table A2.3.13 Customs Survey Sheet (Import - Air Cargo)

| | | | |
|------------------------|--|------------------------|--|
| Flight No. | | Carrier | |
| Arrival Spot No. | | Arrival Time (Landing) | |
| Arrival Time (at Spot) | | Origin (From) | |
| Date of Arrival | | Departure (To) | |

| | | | |
|--|--|-------------------------------|--|
| Import Declaration Document (PIB) | | Customs Office | |
| Type of PIB | | Customs Declaration No. | |
| Type of Import | | Invoice No. | |
| Method of Payment | | No. of BL, SWB, AWB, House BL | |
| HS No. (Harmonized System) | | | |

| No. | Description | Activity | Record Time | | | | Information and Remarks |
|-----|---|------------------------------------|-------------|------|----|--------|--|
| | | | month | date | hr | minute | |
| 1 | ULD Cargo in Warehouse | Start of Breakdown Operation | | | | | 1. Transport Document <input type="checkbox"/> B/L, <input type="checkbox"/> AWB |
| 2 | | End of Breakdown Operation | | | | | |
| 3 | Payment of Duties and Taxes | Payment of Taxes and Duties | | | | | 2. Type of Document <input type="checkbox"/> Prescribed, <input type="checkbox"/> Others |
| 4 | PIB (Import Declaration) | Lodgment of Declaration | | | | | 3. Form of Declaration <input type="checkbox"/> Electrical, <input type="checkbox"/> Manual |
| 5 | | Customs Response to Declaration | | | | | |
| 6 | * Type of Document | Additional Data Required (First) | | | | | |
| 7 | | Additional Data Submitted (First) | | | | | |
| 8 | * Type of Document | Additional Data Required (Second) | | | | | 4. Goods of Regime <input type="checkbox"/> Gold, <input type="checkbox"/> Green, <input type="checkbox"/> Red <input type="checkbox"/> Bonded Zone, <input type="checkbox"/> Others Remarks: |
| 9 | | Additional Data Submitted (Second) | | | | | |
| 10 | Physical Inspection | Physical Inspection Required | | | | | 5. Name of Goods |
| 11 | * Type of Inspection (<input type="checkbox"/> Random, <input type="checkbox"/> All) | Start of Physical Inspection | | | | | |
| 12 | | End of Physical inspection | | | | | |
| 13 | LHP (Examination Report) | Issue of Customs Inspection Report | | | | | 6. Name of Customs Broker |
| 14 | Laboratory analysis | Laboratory Analysis Required | | | | | |
| 15 | | Start of Laboratory analysis | | | | | |
| 16 | | End of Laboratory Analysis | | | | | |
| 17 | | Issue of Report for analysis | | | | | |
| 18 | SPPB, BC 2.3 | Release Approval from Customs | | | | | |
| 19 | Pick up (Lift on) | Release Approval from Terminal | | | | | |
| 20 | Payment of Terminal Charge | CY/CFS Gate Out | | | | | |
| 21 | | Arrival at Factory / CFS | | | | | |

Table A2.3.14 Customs Survey Sheet (Export - Air Cargo)

| | | | |
|---------------------------|--|------------------------|--|
| Flight No. | | Carrier | |
| departure Spot No. | | Departure Time at Spot | |
| departure (Take off Time) | | Arrival From | |
| Date of Departure | | Departure to | |

| | | | |
|--|--|-------------------------------|--|
| Import Declaration Document (PEB) | | Customs Office | |
| Type of PEB | | Customs Declaration No. | |
| Type of Import | | Invoice No. | |
| Method of Payment | | No. of BL, SWB, AWB, House BL | |
| HS No. (Harmonized System) | | | |

| No. | Description | Activity | Record Time | | | | Information and Remarks |
|-----|---|------------------------------------|-------------|------|----|--------|--|
| | | | month | date | hr | minute | |
| 1 | PEB (Export Declaration) | Lodgment of Declaration | | | | | 1. Transport Document <input type="checkbox"/> B/L, <input type="checkbox"/> SWB |
| 2 | | Customs Response to Declaration | | | | | |
| 3 | * Type of Document | Additional Data Required (First) | | | | | 2. Type of Document <input type="checkbox"/> Prescribed, <input type="checkbox"/> Others |
| 4 | | Additional Data Submitted (First) | | | | | |
| 5 | * Type of Document | Additional Data Required (Second) | | | | | 3. Form of Declaration <input type="checkbox"/> Electrical, <input type="checkbox"/> Manual |
| 6 | | Additional Data Submitted (Second) | | | | | |
| 7 | Physical Inspection | Physical Inspection Required | | | | | 4. Goods of Regime <input type="checkbox"/> Gold, <input type="checkbox"/> Green, <input type="checkbox"/> Red <input type="checkbox"/> Bonded Zone, <input type="checkbox"/> Others Remarks: |
| 8 | * Type of Inspection (<input type="checkbox"/> Random, <input type="checkbox"/> All) | Start of Physical Inspection | | | | | |
| 9 | | End of Physical inspection | | | | | |
| 10 | LHP (Examination Report) | Issue of Customs Inspection Report | | | | | 5. Name of Goods |
| 11 | Laboratory analysis | Laboratory Analysis Required | | | | | |
| 12 | | Start of Laboratory analysis | | | | | 6. Name of Customs Broker |
| 13 | | End of Laboratory Analysis | | | | | |
| 14 | | Issue of Report for analysis | | | | | |
| 15 | | Export Approval from Customs | | | | | |
| 16 | Inside Warehouse | Cargo Received at Platform | | | | | |
| 17 | | Transport to Bonded Area | | | | | |
| 18 | | Build up ULD | | | | | |
| 19 | Outside Warehouse | Transport to Aircraft | | | | | |
| 20 | Aircraft Site | Start of Unloading Operation | | | | | |
| 21 | | End of Unloading Operation | | | | | |

Appendix C

Interview Record from the survey in Thailand and Malaysia

Interview Report Thailand 1

Agency or Company: JICA Thailand

Interviewee: Mr. Shibuya

Date: May 31, 2004

Interviewer: Yamashita, Sato, Yanagawa, Kojima, Nagaya

Major topic(s): Schedule and information of Thailand

- EDI is introduced in the customs but it is still limited and rely on the hardware to the MOT. The conventional documentation still remains. Especially approval and licensing from other agencies are all paper documents and no way to connect by electronic means.
- Customs Tariff is publicly announced to Japanese companies in the web page.
- MOIT hope to strengthen the capacity of department in relation to the WTO guidelines.

Interview Report Thailand 2

Agency or Company: Port Authority of Thailand

Interviewee: Mr. Surajit Petyim

Date: May 31, 2004

Interviewer: Yamashita, Sato, Yanagawa, Kojima, Nagaya

Major topic(s): Port Development at Bangkok port

- PAT construct major infrastructure, operate at Bangkok port, lease out to operators in Laem Chabang.
- Containers handled in recent years are approximately 1 mil in Bangkok port and 3.4 million in Laem Chabang.
- X-ray machine was set in 2004 Jan, 2 for Bangkok, 2 for Laem Chabang by PAT
- ECU satellite tracking system is introduced and LCP is appointed by USA as an example of safe port as container Security Initiative, CSI.

Container cargo characteristics

| | TEU | 40' | 20' | FCL |
|--------------|---------|-----|-----|--------|
| Bangkok | 1.1 mil | 30% | 70% | 50% |
| Laem Chabang | 3.4 mil | 70% | 30% | Mostly |

Interview Report Thailand 3

Agency or Company: Laem Chabang Port

Interviewee: Mr. Tienchai Makthientrong

Date: June 1, 2004

Interviewer: Sato, Nagaya

Major topic(s): Laem Chabang Port outline

- Several companies competing for customs service. Port Tariff is left not changed of more than 10 years but the tariff indicates only the upper limit of charges.
- Container throughput was 3.2 mil in 2003, with facility of optimal handling amount is 1.8 mil.
- Inland Container Depot, ICD is developed at Lat Krabang and FCL containers are directly carried bonded, thus guarantee quick delivery of containers and extraordinary high performance of container throughput at port. The customs clearance of import and export containers are available.
- Because USA selected Laem Chabang as sample port GPS based tracking system has introduced. Export to USA has special gate. Among containers bound for USA, 10 to 20% of

them are selected for spot check.

- Lat Krabang ICD is located 30 km east of BKK, just outside of outer ring road, and functions as receiving and distribution depot for customs in greater BKK area. Lat Krabang ICD was constructed to support LCP and started operation in 1996 with 6 privatized container handling companies.
- Lat Krabang ICD handled 1,187,370 TEU in 2003, which is approximately 35% of total cargo handled in Laem Chabang. The cargo amount increases rapidly reflecting the increase of cargo demand to Bangkok.

Interview Report Thailand 4

Agency or Company: IEAT (Industrial Estate Authority of Thailand)

Interviewee: Mr. Narapite thewtanom

Date: June 1, 2004

Interviewer: Sato, Nagaya

Major topic(s) Estate outline

- There are 53 companies in EPZ
- There are regular meeting in the Export Processing Zone for operation and trade. The topic concerning the trade is the difference according to officers.
- Export licenses are necessary each time at times of export and the IEAT is made it a rule to issue by standard procedure.
- Implementation of regulation is different according to officers which is the major reason of trouble in the customs.
- Export processing Zone Meeting is held every month.

Interview Report Thailand 5

Agency or Company: TIPS (Container terminal B4)

Interviewee: Mr. Mori Kazuyuki

Date: June1, 2004

Interviewer: Sato, Nagaya

Major topic(s) Terminal Operation and Thailand Investment condition

- TIPS is a joint venture set up by the NYK, MOL and Ngow Hock in 1991. The system of providing concession to private operators is the key to efficient operation.
- The terminal handles 550,000TEU last year and nearly 600,000TEU this year at the facility with designed capacity of 300,000 TEU. Berth occupancy ratio is 95% because of some double berthing of vessel 148m and 118m.
- 24 hour 7 days a week service with 350 staff members and computer network of EDI and no overtime or no extra charges for pick-up and delivery service.
- One stop service billing system and in-house customs clearance is available.
- Handling performance is 11 minutes or less for average truck to turn raound, and crane productivity is minimum of 25 boxes per hour per crane and total of 75 by 3 cranes.
- Port Laem Chabang has a large hinterland where various manufacturing industries including Chon Buri where major automobile such as GM, Benz, Toyota, Honda are located. The supply of electricity is good and the potential for development is therefore very large.
- State Railway Thailand, SRT, is not eager to materialize the business of cargo transportation between LCP and Lat Krabang. The attitude is obvious by the fact that only 13 traffic is operated and remains to be single track. Among containers transported to Lat Krabang ICD 85% are by truck, and the rest 15% are by Train.

- Export-Import ratio of cargo is 2:1, and because of the lack of box for export, half of import containers are empty. Cargo of the shareholders are only 25%, and throughput of average one vessel is 3000 to 4,000 TEU. Berth window is often occupied by other vessel and vessel is shifted to other neighboring berth and cross traded by terminal operators as to handling charges.

Facts and Figures of terminal

- Quay-side crane (Panamax size, 40 ton) 3 units
- Max. crane outreach 33.5m /13 rows
- RTG (40 ton 1 over 4) 10 units
- Reach Stacker (40 ton) 2 units
- Reach Stacker (8 ton) 3 units
- Forklift (3-6 ton) 9 units
- Tractor head 29 units
- Container chassis 32 units
- Berth Length : 300m
- Draft : -14m
- Accommodation 30,000 – 50,000 DWT
- Terminal Area 105,000 Sq.m
- CY capacity 7500 TEUs
- CFS: 4620 Sq.m
- Reefer Receptacle 220/440V 288 units
- Computer AS/400 D35 : 1 unit and Software “ NAVIS” System

Interview Report Thailand 6

Agency or Company: ESCO (B3 Terminal Operator)

Interviewee: Mr. Senju masaki

Date: June 1, 2004

Interviewer: Sato, Nagaya

Major topic(s) Terminal Operation

- ESCO stands for Eastern Sea Laem Chabang Terminal Co., Ltd. Located at B3 terminal since 1991. Also a shareholder (40%) of B1 terminal
- Container handling is 505,377 TEU in 2003, of which 30% is carried by SRT railway to Lat Krabang ICD and the rest is carried by truck. Empty containers are immediately carried out to outside depot MTCY.
- Berth Occupancy Ratio is 97% because berth length is 300 and most of the Vessel LOA is approximately 160, handling 9 vessels in 3.5 days
- Yard charge is free for 3 days for both export and import, and the customs office is 24 hours 365 days open.
- Spot check of customs clearance is rare and the export containers are examined in advance wherever the cargo is located. (Declaration in Advance) Tariff rate is approx.30% less for export cargo than Import cargo.
- The drawback of the current terminal is the depth being only -14 m. All the terminal operator hope to deepen the berthing depth but it might be difficult because of caisson structure.
- Regulation is sometimes changed without prior notice and inactivated because of the strong protest by the operators.

Facts and Figures to handle 500,000 TEU a year

Quayside facility (B3 terminal)

- Quay-side crane (Panamax size, 40 ton) 3 units
- RTG (40 ton 1 over 4) 8 units
- Reach Stacker 2 units
- Container chassis 22 units
- Berth Length : 300m

- Draft : -14m
- Terminal CY Area: 105,000 Sq.m
- CY capacity 5300 TEUs (4tiers of Full container)
- Empty CY area: 76,000 Sq.m (just outside the terminal area)
- Empty CY capacity 10,000 TEUs (4tiers of empty container)

Lat Krabang ICD facility as one of private operator in ICD

- Terminal CY Area: 96,600 Sq.m
- CY yard 72,000 Sq.m
- Max storage capacity 5,500 TEUs
- CFS area 4,560 Sq.m
- Reach Stacker 2 units
- Top loader 1 unit
- Top Lifter 4 units

Interview Report Thailand 7

Agency or Company: Fujitsu EPZ

Interviewee: Mr. Daigo toru

Date: June 1, 2004

Interviewer: Sato, Nagaya

Major topic(s) Export of Air Conditioner (home use)

- The factory produces solely air conditioner, importing parts from China, build up finished product, and export to many countries. 140,000 to 150,000 units in 100 containers (40') are exported monthly at peak period of February, March, and April.
- There are three factories in the Laem Chabang Industrial Park. 1) Assembly Line, 2) EPZ motor factory, 3) Design Center. In the factory, 26 Japanese, 1500 full time employee, and additional 1500 part time employee during peak time.
- Local Content has reached 70% and the rest is from china and Malaysia. Only a small portion is sold to domestic market by paying 5% import tax.
- There was times when tea money is asked in the beginning but the company policy to refuse these money spread among the Customs officers and not a problem now.
- EDI at LCB is not applied while the traffic volume has been increasing substantially. Even signing of document would be a lot of work to the staff. So the port users will appreciate and benefit when EDI is implemented in the port.

Interview Report Thailand 8

Agency or Company: RDC **Rojana Distribution Center (Sumiso Thailand)**

Interviewee: MR.Msaru Fujii, President. MR.Hiroaki Satoh, Manager

Date: 01/Jun/2004

Interviewer: Yamashita, Yanagawa

Main topics: Regarding the evaluation system of customs in Thailand

1. In Thailand, the GATT evaluation system is adopted since June 1st of 2000. (It is similar to Japanese Customs tariff law ; the 4th article.)
2. Customs registration of exporters and importers: Exporters and importers must submit in principle the following documents to customs.
 - a) President's passport, Working Permit and Tax-payment card
 - b) Patent roll of company
 - c) Registration of VAT (Value-Added Tax)
 - d) Certification of company's signet (BOR OR JOR3)
 - e) Passbook etc.
3. Procedure for import (summary)
 - a) Acquisition of import declaration number at customs (transmission of EDI) and making a decision of Green Line or Red Line

- b) Documents examination (to examine the declaration price, the customs rate and so on)
 - c) Payment of customs (to pay customs by check which is issued by bank)
 - d) Inspection of the article at customs
 - e) Permission of import
 - f) Last confirmation on passing the port gate (sub-inspection)
4. Procedures for export (summary)
- a) Acquisition of export declaration number at customs (transmission of EDI) and making a decision of Green Line or Red Line
 - b) Inspection at customs and permission of export
 - c) Loading into vessel and confirmation of the loading by customs
 - d) Collection of export declaration after loading (blue corner etc.) and export certification on BOI..
5. Transportation regulations
- a) Regarding the form of trucks; 1 ton pick up truck, six-wheels pickup truck and ten-wheels one
 - b) Regarding the traffic restriction in the Bangkok city
 - A. Transportation of export and import cargo is Main highways in the city
The time range of traffic prohibition (more than six-wheels truck) is from 6:00 to 10:00 and from 15:00 to 20:00 (except Saturday, Sunday and national holiday).
 - B. Domestic delivery cargo
The time range of traffic prohibition (more than ten tons) is from 6:00 to 21:00 and the prohibition area is within a radius 113 square meters.
 - c) Regarding the forwarding agent of receiving import cargo at the Bangkok port
The limit of weight in transportation is as follows; in the case of six-wheels truck is up to 12 tons in the gross weight, ten-wheels truck is up to 26 tons, twenty foot = (the car weight is 7 tons and container weight is 3 tons) is up to 26 tons and forty foot = (the car weight is 8 tons and container weight is 6 tons) is up to 45 tons.
6. Regarding taxes :
- a) Import customs : 1. Ad valorem duties ; CIF value × tariff rate 2. Weight tax
 - b) Value-added tax : 7 per cent against the sum total of the CIF price and tariff

Interview Report Thailand 9

Company:

T.D.K,

Interviewee:

Mr. Shiro Maki, Manager

Date:

01/Jun/2004

Interviewer:

Yanagawa, Yamashita

1 Main merchandise: Audio tape and magnetic tape

2 Production export volume: 70 x 40' container per month

The production export volume to Japan, EU, USA and Asia is about twenty-five percent each.

3 Import volume: 10 x 40' container per month

TDK in Thailand imports materials from Kyushu in Japan.

4 Investment in Thailand: TDK built an industrial park in Ayutaya eleven years ago being given a privilege, that is, the bounty of Thai government. (BOI Tax exemption of import customs duty which is imposed on materials and remission of corporation tax)

5 There are few problems of trade at present. Regarding the shortage of containers, we make a booking for a shipping company one and half month prior to production or we use import containers in place of export ones.

6 Wage scale: The TDK's workers of factory in Thailand : About 6,000 Baht per month (about ¥18,000) The Warehouse's workers: About 7,500 Baht per month (about ¥23,000) Although a lot of workers wish for overtime work, the management seldom allows them to work overtime.

Interview Report Thailand 10 Interview Report (Thailand)

Company:

MARUHISA (Head Office Naruto-City Tokushima-Ken

Interviewee:

Mr.Koji Kaneda, President Mr.Takeshi Maekawa

Date: 01/Jun/2004
Interviewer: Yamashita, Yanagawa

Main topic: Report on visiting the manufacturer

- Main merchandise: Clothes for children (the main target for 5 to 10 ages)
- Production export volume: For Osaka 4 x 20' container per month
For Tokyo 1 x 20' container per month
- Import of material: There are not so much on import of materials. Button, fastener and other attachment are imported by air cargo from Japan or China and most material are procured at home in Thailand.
- Investment in Thailand: This company launched into Thailand in 1991 (the 14th year) and the number of employees now is 600 female and only 10 male. The average salary of them is about 6,000 Baht (about ¥18,000). They wish for overtime work, but the management of industry seldom let them work overtime because of low profit. It seems that the inspection at the appointed date of delivery is more important. The items of inspection are measure, stain, shrink, fade and so on.
- Present problem about trade: There is a shortage of containers for loading and space of the vessel.
- Bounty of Thai government: When this company launched into a new business in Thailand, it was given a privilege which means a bounty such as tax exemption for material import and corporation tax reduction.

Interview Report Thailand 11
Company: SANDEN (Head Office Isezaki –city gunma-ken Japan)
Interviewee : MR. Hideki Tomura Senior General Manager
Date : 01/Jun./2004
Interviewer : Yamashita, Yanagawa

- Main merchandise : small freezing glass case for Business-use and compressor for automobiles
- Production export volume : 40' x 40 containers per per month. The 60% of the exportation is to Japan and the rest is to Australia.
- The imports from Japan are materials such as filter, special resin and so on and the volume is not much.
- The present problem of trade is that there is a shortage of containers as well as space of vessel although the production volume has declined since 1997. There are two reasons of this; the first is that the export volume from Thailand is much but the import one is little. The second is that the shortage of containers is seen all over the world.

Interview Report Thailand 12
Agency or Company: (Thai Airport Ground Services Co., Ltd. (TAGS)) Japan Airlines
Interviewee: (Mr. Arunothai Thongim – Cargo Department Manager-Export)
Takayuki Kuroda, Senior Manager, Cargo Sales & Traffic
Date: May 31, 2004
Interviewer: Keiji Kojima

- Cargo District : There are 4 Cargo Terminal Buildings. From Terminal Building 1 through Terminal 4 are lined straight.
Terminal 1 (TAGS Import Bonded Warehouse)
Terminal 2 (TG's Custom Carriers)
Terminal 3 (TG=Thai Airways International)
Terminal 4 (TAGS Export Bonded Warehouse)
- In Bangkok International Airport, there are two warehouse operators, i.e. TG (=Thai Airways International) and TAGS (=Thai Airport Ground Service). Airlines Companies are to entrust cargo handling to either of them.
- TAGS Custom Airlines : JL, NW, LH, FX, KL, BA, QF, 5X, etc.
- Special Note :
- Since the forwarder's warehouse facilities in the vicinity of the airport are insufficient, export cargos are directly brought into the bonded warehouse at the airport, where they are weighed and the weight-in is utilized as a customs document.

Impression :

- The airport bonded warehouses I visited this time were TAGS import warehouse of Cargo Terminal 1 and TAGS export warehouse of Cargo Terminal 4, but I felt that the ceiling of the warehouse is very high, ventilation of the warehouses was very good and the air in the warehouse was felt very clean.
- At the time of my visit was just out of the peak time of cargo handling, so there were not so many cargos in the warehouse, but I got a strong impression that the warehouse facilities are well-designed structure with user-friendly, because the flat floor space, except the high-rise storage rack for import cargos, work stations for building up export cargos and ramp-side roller bed facilities for export ULD cargos, can be used widely and effectively.
- For this reason, I felt as a whole that the warehouse facilities are very good and well designed structure with much consideration of warehouse work environment.
- Note: TAGS = Thai Airport Ground Service

Interview Report Thailand 13

Agency or Company: Yusen Air & Sea Service (Thailand) Co., Ltd

Interviewee: Mr. Kiyoshi Mizutani – Director, Sales & Operation

Date: June 1, 2004

Interviewer: Keiji Kojima

Major topic(s)

- In Thailand, customs declaration is not possible without a “Customs Card.”
- Required time of customs’ documentation check of import cargos is less than 3 to 4 hours.
- Officially, import cargos are subject to total bag check, but in reality, about 5% of import goods undergo physical inspections.
- Labeling work for export cargos are performed in the export bonded warehouse in the airport and also weighing of export cargos is carried out there.
- At the time of weighing, a slip is output to be used as a verification of carry-in of export cargos to the bonded warehouse.
- There are many cases where the amount of customs duties and required documents vary according to the interpretation of laws by the customs officers on duty.
- When laws are revised, most of the cases are with very short notice. And once the decision is made, it is very difficult for private sectors to against it.
- One of the strict aspects in customs-related laws as compared with those of other countries is “penalty.” The customs officials have the authority to impose penalty up to 4 times of the difference (difference + 4 times of the difference) . However, penalty is normally up to 2 times.
- On the other hand, there is a aspect of flexibility in a most unlikely place in Thailand. .
- In Thailand, more unified and global interpretation and understanding are essential.
- As to the handling of air cargos at the airport, there are many irregularities, such as broken and wet damages, etc.

Interview Report Thailand 14

Agency or Company: Nippon Express (Thailand) Co., Ltd

Interviewee: Mr. Masahiko Ishikawa – Director, Air Cargo Group

Date: June 1, 2004

Interviewer: Keiji Kojima

Major topic(s)

- Average required time for export and import in each process and procedures is from one to two days as to export, and about one and half day as to import air cargos.
- As to export cargos, there is no special problem relating to customs clearance procedures. But as to import cargos, all are subject to total bag check. But in reality, only several percent undergo physical inspections.
- All export cargos are to be brought in to the cargo terminal in the airport, and weighing system in the cargo terminal has been adopted. Accordingly, under the present situation, even if forwarders have their own bonded warehouse, the function of forwarder’s warehouse is not working.
- There are cases where customs duties and required documents vary according to the interpretation of laws by the customs officers on duties.
- There are also cases where penalty and deferred charges were billed retroactive to one year ago due to the reason that an error was found at the time of customs’ post-audit, in spite of the fact that the customs clearance procedures had been completed after obtaining permission from the

customs.

- An official notice is late in cases where the laws are revised.
- Penalty is severe in comparison with those of other countries.
- Generally speaking, penalty of about two times of the difference is imposed. And also the world of under table is existing.
- Of the handling volume of air cargos originated in Thailand, about 40% is taken up by perishables.
- Trade related problems between Thailand and Indonesia lie in that the transportation capacity between Bangkok and Jakarta is narrow . Under the present situation, flights are limited to TG and SQ.
- Handling quality of air cargos at Bangkok International Airport is normal by three-grade evaluation of good, normal and bad. Pilferage cases are decreasing in number.
- Under ordinarily circumstances, it should be airport warehouse operator's work, but about 50 workers are dispatched to the airport in order to expedite the handling and pick-up of cargos.
- Customs authority shows interest in systems of China, because they are aiming at bipolarization of Thailand and China, especially in automobile- and perishable-related systems Also they are aiming at expansion of "FTZ".
- Present FTZ needs extension of time limit, but there is a movement that FTZ changes to indefinite duration from September 2005.
- In respect of settlement method by sales report system with airlines and settlement method of terminal service charges with airport terminal operators, outdated systems have been still adopted and lagged behind. Global standardization is necessary.

Interview Report Thailand 15

Agency or Company: Japan Airlines

Interviewee: Takayuki Kuroda – Senior Manager, Cargo Sales & Traffic

Date: May 31, 2004

Interviewer: Keiji Kojima

Bangkok International Airport

- * Cargo Terminal was in operation from December 25, 1985, and Donmuang Airport, which had been used as Air Force Facility, was expanded several times and leads hitherto.
- * Site : Located in central part of Thailand and is situated 24 km away north from the city. It takes about one hour by express way.
- * Airport Land Area: 1,500 ha (of which 879ha falls under the jurisdiction of Air Force)
- * Runway: : 3,700x60m, 3,500x45m
- * Passenger Terminal: : Terminal 1 and Terminal 2
- * Cargo Terminal :

| | Land Area | Floor Area | Building Size(m) |
|------------------------------------|------------------------|------------------------|------------------|
| Terminal 1 (TAGS Import Warehouse) | 40,000 m ² | 28,776 m ² | 264w x 109D |
| Terminal 2 (TG Custom's Carrier) | 31,968 m ² | 31,968 m ² | 288w x 111D |
| Terminal 3 (TG) | 42,000 m ² | 28,350 m ² | 252w x 112D |
| Terminal 4 (TAGS Export Warehouse) | 42,000 m ² | 18,000 m ² | 180w x 100D |
| Total 4 places | 167,000 m ² | 107,064 m ² | |
- * Operating Parent Body: : Airport Authority of Thailand
- * Flight Handling Capacity : 60 Aircrafts/hour
- * Result : No. of Aircraft Take-off /Landing About 160,000 times/Year

| | 2001 | 2002 | 2010 (Forecast) |
|--------------------------------------|--------|--------|-----------------|
| Passenger Movement : (1,000 persons) | 12,144 | 13,121 | |
| Cargo Movement: : (1,000 tons) | 824 | 890 | 1,3251 |
- Air Cargo Commodity :
 - Perishables such as Vegetables, Fruits, Cut Flowers, etc. 5 0 %
 - IT, Electrical and Electronics Goods, I.C. Automobile- related Goods 4 5 %
 - Clothing Items, Others 5 %
- * TAGS Custom's Carrier JL, NW, LH, FX, KL, BA, QF, 5X, etc.
- * TG custom's Carrier TG, KZ, NH, KE, SQ, SK, CI, BR etc.

* Special Note :

Since the forwarder's warehouse facilities in the vicinity of the airport are insufficient, export cargos are directly brought into the bonded warehouse at the airport, where they are weighed and the weight-in is utilized as a customs documents.

Bangkok Airport Outbound Air Cargo Statistics

* Accumulated Figures from Jan – Dec 2003 (Unit: kg)

| | |
|--------------------|---|
| To: Area 1 | 72,785,504 |
| To: Area 2 | 105,917,922 |
| To: Area 3 | 243,209,142 (of which to Japan: 65,438,970) |
| Grand Total Weight | 421,912,568 |

Source: Airline Cargo Business Association

Interview Report **Malaysia 1**
Agency : **JICA Malaysia**
Interviewee: **Mr. Ara**
Date: **June 3, 2004**
Interviewer: **Yamashita, Nagaya**
Major topic(s) **General Information and Trade facilitation in Malaysia**

- Transition to the new leader has been smoothly taken place and the economy keep strong.
- Even the financial crisis hit Malaysia hard, the economy recovered quickly by dollar peg of Ringit and restructuring of financial institutions.
- Recent tendency of economic growth is slowed to 5% because of the economic boom of China, Malaysia strides to continuous development.
- In order to comply with CEPT agreement, rate of customs duty is one of the lowest in ASEAN, but because of protection policy of domestic industry such as automobile and electric, licencing and other permit is required and non-tariff barrier is still high.

Interview Report **Malaysia 2**
Agency : **JETRO Malaysia**
Interviewee: **Mr. Tanaka, Okabe, Yamada**
Date: **June 3, 2004**
Interviewer: **Yamashita, Nagaya**
Major topic(s) **Trade and investment environment in Malaysia**

- Infrastructure including road network is very well constructed. It is possible to estimate the time to reach the destination. Electric power supply is enough with 50% surplus capacity which seems to be too much and it is planned to reduce the level of surplus to 30%.
- Malaysia has big accumulation of electric industries and import cargos consist of small pieces of parts. Recently there has been constant pressures to reduce inventory of material under the name of Supply Chain Management. Therefore the logistics of goods are important supporting industry of manufacturers, and Malaysia is performing good to respond to these industrial needs.
- Cut-off time recently gets earlier because of US terrorist protection.
- Foreign Investment encouragement policy invited direct investment but license acquisition takes time. The ratio of foreign capital participation is different according to customs and investment board.

Padang Besar Customs

- JETRO Malaysia did some customs study at Perlis state of Malaysia at border with Thailand. They introduce SYSPEK system which consists of 1) priority status, 2) upgrading of application form, 3) promotion of foreign trade and custom satisfaction.
- Major facilitations by SYSPEK are; 1) Customs clearance without physical inspection, 2) Prior registration of cargo, which allows application one week prior to actual cargo arrival. By the implementation of this system, FCL containers are generally not needed to open, where LCL

containers still need to be physically checked by opening.

- In order to apply to the SYSPEK-certificate, private traders need to prepare application forms with approval of the State Governor. Currently 22 companies hold SYSPEK status and many applications are on waiting list. Customs clearance time by using SYSPEK is 15 to 20 minutes, whereas without SYSPEK it takes 1 to 2 hours.
- The customs office opens from 6 am to 10 pm. Total trucks per day is 150 in which 100 are from Thailand and the rest from Malaysia. EDI is not implemented yet to the customs at land border of Perlis.

Interview Report Malaysia 3

Agency or Company: JACTIM Malaysia

Interviewee: Mr. Oda Hiroshi

Date: June 3, 2004

Interviewer: Yamashita, Nagaya

Major topic(s) Malaysian conditions in trade facilitation effort

- North-south highway connects Thailand, Malaysia and Singapore and the customs at port and airport is striving to speed up by introducing EDI, as a part of the concept of Multi-Media Corridor.
- Land transportation, although connected with Thailand, the customs clearance takes time at border processing approx. 6 hours. If documents of both countries are standardized and unified, it is much easier to prepare.
- Gross domestic product is growing steadily by 7% in the beginning 3 months of 2004. The currency exchange rate pegged to USD at the rate of 3.8RM/USD contribute manufacturers to plan their activities.
- Regulation is often changed suddenly without prior notice.
- JACTIM has annual dialogue with MITI, so that opinions from Japanese companies will be effectively conveyed to the government.

Interview Report Malaysia 4

Agency or Company: Royal Customs Malaysia (Royal Malaysian Customs Office)

Interviewee: Mr. Mohamad Osman and others listed below

Date: June 3, 2004

Interviewer: Yamashita, Nagaya

Officers from Royal Customs Malaysia (Royal Malaysian Customs Office)

Mr. Mohamad Osman Director Corporate Planning Division HQ

Ms. Maimon Zaid, Customs Superintendent, International Affairs, HQ

Mr. Yahya Sulaiman, Customs Superintendent, International Affairs, HQ

Mr. Mazuki Md Edis, IT Section HQ

Mr. Chong Yoon Heng Export Division, Port Klang Customs

Mr. Jazam Yasin Senior Assistant director of Customs, Malacca,

Ms. Rosinah Ali, Senior Assistant Director of Customs, Customs Division HQ

Ms. Omi Tharsom, Assistant Director of Customs, Customs Division HQ

Major topic(s)

- For export, 20 officers deals with assessment of the cargo.
- 50% of processing is done by paperless, and currently working with other agencies to establish compatible forms for trade related applications.
- There are three modules in IT section of Customs. 1) Customs module of Import/Export control, 2) Internal Taxes including sales tax, excise, and service tax, 3) Preventive system of compilation of investigation data

- Trade community is connected to the customs IT by EDI dedicated system using Dagang Net. Processing center is located in major ports and airport consisting of Port Klang, Johol port, KLIA, and Head Quarter.
- Sales Tax on imported tax is calculated based on value of goods represented by the transaction price indicated in the declaration form, and classified according to HS code. On the other hand, Sales Tax on manufactured goods is levied on the value registered and number taken as Generic No. from MITI.
- Spot check is less than 2 %, but time study has not been done in recent years.

Interview Report Malaysia 5

Agency or Company: Airfreight Forwarders Association in Malaysia (AFAM)

Interviewee: Mr. Walter Culas

Date: June 4, 2004

Interviewer: Yamashita, Kojima, Nagava

Major topic(s)

- Mr. Walter has been striving for more than 20 years to modernize the airport cargo handling processes including customs clearance. The dialogue involves MOT, MOF, MITI, Customs, National Carrier Airlines, and other government agencies.
- KLIA started its planning in 1980's and Mr. Culas started identifying bottle necks of cargo processing and protested to the ministry and customs by writing letters. In 1994 government has changed in favor to consider the opinion of Mr. Culas for the design and planning of KLIA, in 1998 KLIA opened its operation and expanding its users.
- The attitude of AFAM is hands-on to resolve issues, by providing product information and forwarders perform with accountability and integrity. Patience, Perseverance and Push are the important elements for the negotiation with the government agencies.
- Air freight is time sensitive and the forwarders should respond to the customs' need to make lead time short. For the flight, maximum throughput time has been standardized as follows.

| Airplane type | Narrow body | Wide Body | Freighter |
|--------------------------------|-------------|-----------|-----------|
| Time required for registration | 2 hours | 4 hours | 6 hours |

- Import process begins in the morning to deal with the cargo arrived in the previous night. Peak time at airport is 9-11 AM on Tue, Wed, Thur, Fri, Sat, and 11AM-4 PM on Monday.
- At peak time, whole process of customs clearance for import cargo will finish in 1 hour, and during off-peak hours, it will finish in 30 minutes.
- As to Jakarta Soekarno-Hatta Airport, what he saw when he visited 2 years ago was, 1) no dialogue, 2) no leadership, 3) do not accept constructive opinion, 4) top is not making important decisions. As a whole, there are so much bureaucracy in the system which is causing inefficiency and interruptions to bona fide traders.
- The AFAM write letters of request to the customs and airport authorities every day indicating inconveniences or problems and send then by both fax and e-mail sending copies to members. Every year, the AFAM and the Government agencies hold dialogue and compile a minutes of discussion so that the improvement promise will be conducted in due schedule.
- In each room of the Customs office Key Performance Index is printed and framed and posted, indicating standard processing time of documents and supervisor's name and telephone number.

Interview Report Malaysia 6

Agency or Company: Kuala Lumpur Federation of Malaysian Freight Forwarders

Interviewee: Mrs. Pauline Tee : President

Mr. Choo Hon Kheong: Manager

Mr. Shamsuddin Bin AB Rahman: Committee Member

Mr. Joanne Lim: Committee Member

Date:

June 3, 2004

Interviewer:

Sato, Yanagawa

1. The cargo through the Port Klang has been checked with X ray scan equipment by the customs office in the port about 2-5% of the total cargo volume.
2. The port management of operation have the KPI (Key Performance Index) to measure the service.
3. The value declaration in invoice of the import goods is not accepted by SGS. The difference of value will be charged to the local exporter. The customs office in Indonesia requests that SGS of exporting countries submit a survey report and issue certified value of export. The value must be confirmed by SGS of exporting countries.
4. The customs office in Malaysia wants to introduce AHTN (Asean Harmonized Tariff Nomenclature) in order to harmonize the tariff and code in the Asean countries under the WCO (World Customs Organization). By 2008, Countries in Asean Free Trade Area (AFTA) will apply CEPT (Common Essential Preferential Tariff) to be 40% of export cargo and 5% of import tax for trade among Asean countries.
5. There is only one single provider for EDI of Customs, the government intends to provide another provider for competition for users,
6. SMK (Customs Information System) by DAGAN Net was introduced by the government Ministry of finance, Ministry of International Trade which approved DAGAN Net as provider, the forwarding companies have connection to SMK. All units of customs offices are not yet operated with EDI system and code. Each customs office still apply different customs code.
7. The EFT(Electric Fund Transfer) system is introduced for payment of import and export duties to be done by transfer in the PKA (Port Klang Authority) and credit advise, debt advise. 95% of port users have already practiced. In the case of air port, 10% of cargo is paid its duty through using EFT due to safety incoming and security in handling.
8. In Malaysia there are SST (Sale Service Tax), GST (General Service Tax), while Singapore is very small tax. The government of Malaysia plan to introduce VAT(Value Added Tax) by replacing SST in future.
9. Customs office checks export/import cargo randomly selected.

The following treatments of customs checking;

- 1) Direct release, Special release, Green line,
- 2) Single tariff, partial approval
- 3) Treasury exemption by Ministry of Finance no duty, customs clearance faster
- 4) Golden services for honest and clean forwarding companies

Interview Report Malaysia 7

Agency or Company: Port Klang Authority (PKA)

**Interviewee: Mr. Haji Jamaludin Bin Yusof: Assistant Director Marine Department
Ministry of Transportation Government of Malaysia (GOM)
Mr. Alitermizi Husin :Free Zone Manager
Mr. Hohd Shah Has B. Fawzi: Free Zone Officer
Mr. M. Suresh Kumar : Chief Terminal Operator of North Port**

Date:

June 3, 2004

Interviewer:

Atsushi Sato

1. History of Port Klang (PK) Development since 1963 and sequences of privatization from KCT (container terminal operation) of North port of Port Klang in 1986, then west port in 1992. The south port which is the oldest port of Port Klang is integrated of its management as parts of the North Port in 1994.

2. Operation of the Port is conducted by 2 private companies. PKA does not operate the port after privatization from 1992. The regular meetings are held among the agencies concerned for port users to discuss main subjects of Data collection, technical issues, specially maintenance of port facilities. (1) All the maintenance works of terminal facilities shall be done by the terminal operator, including the maintenance dredging around 50m of the wharf area. At present maintenance dredging of the access channel from the Marakka Strait is carried out by T/O of west port under the contract with PKA. Basically capital dredging by PKA and maintenance dredging by T/O. (2) PKA sets the ceiling of the tariff after approval of MOT. The amount of tariff indicates Riggid, not in US\$. (3) The terminal facilities expansion is initiated by the terminal operator and proposed to PKA, then PKA submit such proposal to MOT of central government for implementation. i) At present in the North port T/O request to expand of container terminal facilities, ii) The study to develop the facilities toward the Batu Laut area is proposed.
3. Security facility at PKA: PKA has already provided the following facilities as the primary port to comply the ISPS code under the responsibility of the maritime department of GOM, (1) X ray checking containers, (2) GPS, (3) CCTV are installed at gates, cargo yards, port control center and wharf areas to monitor the cargo including container traffic movement. (4) The security plan of each port (North port, West Port) is prepared by the respective terminal operator and submit to the Maritime Department of Ministry of Transportation through PKA.
4. EDI system in PKA. They had introduced the EDI system called Port Klang Community Services (PKCS) for exclusive port klang services for trade facilitation with paperless customs procedure. The diagram of PKCS is shown below.
5. The customs had established their own EDI system called Customs Information System (CIS) far in advanced from the PKA case to cover the nation wide customvices and connecting to PKCS. The Customs office had exchange the MOU (Memorandum of Understanding) for exchanging customs information and harmonizing tariff among APEC countries in May 2004 with Pakistan, Korea.

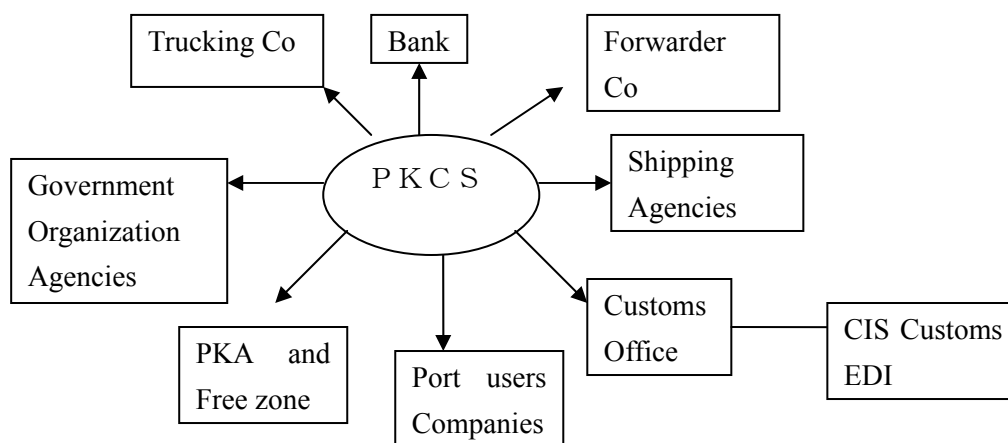


Diagram of EDI system of PKA and Customs Office

6. Free Commercial Zone; Ministry of Finance of Central government established Free Commercial Zone in 1990 around the port area. The PKA is under the Ministry of Transportation who designated PKA as the Free Zone Authority (FZA) and established FZA in each port area , North port in 1993 April, West Port in 1996 June, South port 2004 January. All operation in the terminals of the port Klang is considered to be operated inside the free commercial zone (FCZ). So that the the customs control is minimized, According to the Customs Act 1967, Excesise Act 1976 sale tax act 1972 are not applicable to the operation within the FCZ, and under the FZ act 1990, the free zone is deemed to be a place outside Malaysia in order to encourage commercial activities trading, banking, grading and port activities of import and export cargo activities, as a result the traffic

volume of 2003 has increased 100% from 1993. Transshipment cargo does not require the customs clearance procedure and within the free commercial zone the traffic and cargo movement is smooth. The benefits by establishment of FCZ i) Lower cost (cash flow) ii) Less restriction of transshipment to re-export iii) Simple documentation of procedures on line transshipment iv) Storage, consolidation, regional distribution and value adding to import cargo get simple, (previously import cargo must be reported to the customs office within 7 days, but now it is free to store cargo in the FCZ and distribute depending on the market demands)

7. Customs office check the import and export cargo randomly selected by the X ray scan. Around 2-3% of total import cargo are checked. For example at the north port daily container volume is 400 to 500 import and same volume of export. Out of which around 15 to 20 containers boxes as considered suspicious based on the checking of declaration document are checked.

8. The port facilities conditions and expansion plan of two ports,

| | | |
|--|-------------------------------|---------------------------------|
| West Port is located in the Island called Pulau Indah closer to the Malaka Strait and 10 years ago started its operation. There are three major terminals one for general cargo, one for liquid bulk, the other for container terminals. | | |
| Bert No1 to 4 | General Cargo depth -13m | |
| Berth 5 to 14 | Container Terminal Depth -14m | |
| Berth 5 and 6 | Car export/import Terminal | 1995 operation started |
| Plan to expand toward Malaka Strait along the berth 14 to 20 (6 additional berths), the present channel depth is -15m. Every 6 month or 1 year the maintenance dredging is carried out. | | |
| North Port, there is the railway connection to the port and transported containers from the industry parks in the hinterland. The traffic volume by railway is small about 5-10% of the total volume, the rest are transported by trucks. | | |
| Berth 8 to 13 | Container terminal as C-1 | Depth -15 and +2 m at high tide |
| Berth 14 to 15 | General cargo | Depth -15m |
| Berth 16 to 21 | Container terminal as C-2 | Depth -15m |
| Berth 2 to 25 | Liquid Bulk cargo terminal | Depth -15m |
| All terminals are operated by private operators, The total berth length 4km, Every three months maintenance dredging is carried out by T/O. The expansion is required but the on land and sea side the area is limited for expansion. It is planned to concentrate to develop west port, no more north port. | | |

Interview Report Malaysia 8

Agency or Company: Sumiso-Malaysia

Interviewee: Mr.Morishita, President Mr.Yoshio Asamoto, Director

Date: 03/Jun/2004

Interviewer: Yanagawa

Outline of Malaysia

1. The area of this country: 329,758 m² (about 90 per cent of Japan)
Western Malaysia : 131,598 m²
Eastern Malaysia : 198,160 m²
2. Population: 23,270,000 (About 23 millions people)
(according to the census in 2001)
3. Structure of races: Malay : 65% Chinese 26% Indian : 8% others 1%
4. Principal religion: Islam (the established religion)
5. Main trade items: Export : electrical appliance, petroleum, LNG,
palm oil and rubber fluid
Import : manufacture machinery and transport
machinery, electronic components and grocery
6. Currency: Ringit (1 Ringit = about 30 yen)
7. Main industry: Manufacture (electrical appliance), agriculture and
forestry (natural rubber, palm oil and wood) and
mining(tin, petroleum and LNG)

As for the customs in Malaysia

- A. Days of customs clearance:
- Ocean import about one and half day
 - Ocean export about one day
 - Air export and import about half day

B. Customs procedures (import)

1. The contents of a customs entry is to be input into a computer and sent to the customs by SMK(=EDI). Shipping company is to send the contents of manifest to the customs by SMK(=EDI).
2. Customs is to check our company's clearance data with the shipping company's manifest and then send the receipt number to our company's computer.
3. Clearance documents printed from computer are to be submitted to customs with the shipping company's D/O, I/V and P/L. (Although paperless system has already been introduced since April of 2003, the cargo imposed customs duty or S. tax does not apply to this system. Many export companies in Malaysia acquire the LMW status. In this case, their cargo does not apply to this system either because of customs control. This is the same to export. Customs house documents examination: Customs give permission on the evening of the submission at earliest, on the next day at latest. Usually, it takes one and half day to permit.
4. Once customs permits, container(cargo) is able to carry out that day or the next day.

Advice in order to take clearance smoothly;

A. Customs in Malaysia still asks for signed original Invoice or Packing List

B. It seems better that you avoid overlapping the contents of the Invoice and shorten the lines.

C. The shipping documents should be arrived until the day before the vessel comes into port at latest. (If they are delayed, you will have to pay the extra charge such as Demurrage.)

D. You do not mix the unnecessary items such as business documents, personal belongings and the different articles which are rejected by customs.

Interview Report Malaysia 9

Agency or Company: Nippon Express (M) SDN, BHD

Interviewee: Mr. Ho Hee Lai, General Manager, Air Cargo Division

Mr. Shirai Masakazu – General Manager, Corporate Accounts,

Date: June 3, 2004

Interviewer: Kojima

- Physical examination ratio of import cargos is about 5%. Earliest import cargos can be delivered within 2 hours and 30 minutes after the arrival of aircraft. General import cargos can be delivered within 4 through 5 hours after the arrival of aircraft.
- Pre-clearance is available in Malaysia.
- Customs clearance is performed through EDI system, but submission of hard copies (AWB, Invoice, the Customs Documents) are still compulsory at the moment. Paperless will be our future goal.
- Many changes were brought about with the introduction of the present EDI System. Required time for the process until the release of import cargos took 24 through 28 hours before the introduction. The introduction of EDI system also brought about efficiency, accuracy and transparency.
- There is no barrier or impediment in promoting EDI processes.
- There is no special restriction in implementing customs procedures. Customs Office is in 24-hour operation.
- Basically, there is no difference or deviation according to customs officers as to interpretation of laws.
- Customs Office listens to opinions from users or private sectors when revising laws.
- Various forms of forums or panels have been held, so opinions from users have been reflected.
- There is no particularly severe restriction compared with other countries. Customs Office is very flexible.

Interview Report: Malaysia 10

Agency or Company: Trans-Asia Shipping Corporation Berhad.

Interviewee: Mr. Sakae Suga – Corporate Business Executive Director

Date: June 3, 2004

Interviewer: Kojima

Major topic(s)

- Customs clearance procedures are based on pre-clearance.
- Urgent import cargos can be released within 3 hours, and within 6 hours as to general cargos after the arrival of aircraft.
- There is no particular problem in EDI customs clearance.
- Method of communication to the field is still poor.
- Customs Office side has a good posture to listen to opinions from private sectors.
- Malaysia sets a goal to become a member nation of advanced countries by 2020. It is still an overburden in terms of mind and manner.
- Comparing the customs clearance procedures in Indonesia with Thailand, customs clearance procedures in Indonesia takes about one hour more than that in Thailand.
- In respect of the problems relating to storage and physical distribution, pilferage and rough handling of cargos, etc. can be enumerated.
- In regard to the bond-in and bond-out of cargos by ULD, the Company carries out about 10% as to import and 50% as to export.

Interview Report: Malaysia 11

Agency or Company: Malaysian Airlines

Interviewee: Mr. Mohd Yunus Idris – General Manager (Cargo Operation)

Mr. Badar Sharif Abd Majid – Manager, Cargo Import

Date: June 3, 2004

Interviewer: Kojima

- Mr. Badar Sharif Abd Majid showed me around the bonded warehouse facilities and I also took photos of the warehouse facilities during the course of the warehouse observation.
- Outline of Warehouse Facilities
 - * Advanced Cargo Centre (ACC) operated by MASkargo, which is the cargo department of Malaysian Airlines, was in operation in June 1998 at the same time with the opening of Kuala Lumpur International Airport.
 - * Advanced Cargo Centre(ACC) is a Cargo Terminal with the introduction of the advanced state-of-the-art cargo handling facilities equipped with such as automated monorail, automated storage and search system, etc.
 - * Eleven (11) jumbo freighters can park alongside the Cargo Terminal Building (2-story building with 312m(W) x 130m(D).
 - * Ground Floor is used for Export Cargo, Second Floor for Import Cargo, Mezzanine Floor for Foreign Airlines Offices, Third Mezzanine Floor for Malaysian Airlines Office.
 - * Warehouse floor space is 92,000 m².
 - * Office Space is 11,230 m².
 - * Import Warehouse has 57 truck dock positions and Export Warehouse has 53 truck dock positions.

Information

- * The airport bonded warehouses I visited this time were export and import warehouse of Malaysian Airlines' "Advanced Cargo Centre", but I became aware of the situation that the warehouse is designed for effective use of three dimensional space of warehouse and labor-saving with the introduction of the advanced state-of-the-art cargo handling facilities.
- * At the time of my visit was just out of the peak time as to both export and import cargo handling, so there were not so many cargos in the warehouse, but I noticed that all over the warehouse was kept neat and clean.
- * In Malaysia, the concept of "user-friendly" has been disseminated and what I impressed most in KL Cargo Terminal are as follows :
 1. The whole area of .MASkargo ACC Terminal and Forwarders Warehouse Facility has been designated as "Free Commercial Zone"(FCZ) and within the area, export and import cargos can be moved freely without any customs procedure for bonded

- transportation.
2. In the middle part of the MASkargo Warehouse Facility, a corner of “Priority Business Centre “ has been established, where key-clients can kill their waiting time over a cup of coffee or tea at any time of the day (available 24-hour).
 3. At the MASkargo warehouse counter, you can complete all kind of procedures at one place such as pick-up of cargo documents (AWB etc.), settlement of air freights of charges collect import cargos, storage charges, etc.
 4. At the customs’ “One Stop Centre” in the airport, you can also complete all necessary customs and quarantine procedures at one place. And yet “One Stop Centre” is open 24-hour of the day.

Interview Report: Malaysia 12

Agency or Company: Japan Airlines

Interviewee: Mr. Naoki Murakami – Director, Cargo & Mail

Date: June 3, 2004

Interviewer: Kojima

Major topic(s)

- Kuala Lumpur International Airport
 - * Initial Date of Operation: : From June 1998
 - * Site : Located 60 km away south from the central part of Kuala Lumpur. Access between airport and downtown is about an hour by car and about 30 minutes by KLIA Express (Monorail).
 - * Land Area : 10,000 hectares (Scale of 14 times of Narita Airport)
 - * Runway : 4,000 m x 2
 - * Facility : Passenger Terminal : Terminal 1, Satellite 1 (Ultimately Terminal 2, Satellite 2)
Cargo Terminal District :
MH Cargo Terminal
KLAS (KL Airport Service) Cargo Terminal
Agent Cargo Terminal 4 Wings
Customs Office Building
 - * Operating Parent Body of Airport : Malaysian Airports Sepang Sdn Bhd
 - * Flight Handling Capacity : 88 Flights/Hour
 - * Passenger Handling Capacity : 25,000,000 /Year
60,000,000/Year (Possible to correspond until 2020)
 - * Cargo Handling Capacity :: 675,000 ton/Year
Possible to correspond with full capacity of 1,000,000 ton/Year
Further possible to correspond with capacity of 3,000,000 ton/Year (By constructing New Terminal in adjacent land.)
 - * Record of Movements:

| | 2000 | 2001 | 2002 | 2003 |
|-----------------------|------------|------------|------------|------------|
| Aircraft Movements | 109,925 | 113,590 | 127,952 | 139,947 |
| Passenger Movements | 14,732,876 | 14,538,831 | 16,398,230 | 17,454,564 |
| Cargo Movements (ton) | 511,594 | 440,864 | 527,124 | 586,195 |

- * Airlines flying into KLIA : 43 companies as of December 2003
- * MH Cargo Terminal : All carriers except CX and other tenant carriers of KLAS
 - Dimension: 312m x 130m
 - 2 Levels : Ground Floor / Export,
First Floor / Import
 - Floor Area : Office Space: 11,230 sq.m.
Operational Office: 760 sq.m.
 - Parking Areas: 29,979 sq.m.
 - Open Warehouse Space: 31,142 sq.m.
 - Work Processing Area: Approximately 92,900 sq.m.

Appendix D

Data Sheet 2 : Questionnaire for Companies

1. Do you know that Directorate General of Customs and Excise (DJ Bea dan Cukai) has been carrying out **Customs Reform Programme** since April 2003? Yes No

1-1 Do you notice any improvements or changes in the following items recently compared with last year before EDI started? Please recognize item and check your assessment.

| Assessment | Become Very Good | Better | Not changed | Worse | Become Very Bad |
|--|------------------|--------|-------------|-------|-----------------|
| <input checked="" type="checkbox"/> (Sample) amount of tariff | | | ✓ | | |
| <input type="checkbox"/> New Import Release Procedure | | | | | |
| <input type="checkbox"/> New Export Release Procedure | | | | | |
| <input type="checkbox"/> Importer Registration | | | | | |
| <input type="checkbox"/> Exporter Registration | | | | | |
| <input type="checkbox"/> New system in duty payment | | | | | |
| <input type="checkbox"/> Physical Inspection system? | | | | | |
| <input type="checkbox"/> Customs operation on Friday | | | | | |
| <input type="checkbox"/> Customs operation on Blocking, or rejecting the application | | | | | |
| <input type="checkbox"/> Customs implementation of Law | | | | | |
| <input type="checkbox"/> Customs Website for on-line internet service | | | | | |

1-2. On **Electronic Customs Processing** (EDI) including other information system

(1) How do you evaluate the current effort of Electronic Transaction by the customs office?

What kind of response do you make to the EDI developed in recent years?

- Very good, because ...
- Better than before because ...
- Better than before but not very much because ...
- Worse because ...
- Worse with new problems such as ...

Opinions if any

(2) Do you think that the **Concept** of current EDI is sufficient?

If any problem which area? Please check and comment.

- The system is not user-friendly. Customer is always forced to follow the system.
- Documentation is still necessary in relation to requirements from other departments.
- Connections with database and other offices are not implemented yet.
- Human element still remains a great deal.
- Transparency such as tracking system is not considered.
- Security & confidentiality is not sufficiently considered.
- Blocking of application is not fairly or properly implemented.
- Penalty system is not appropriate.
- Others ()

(3) Do you think there are problems in the **Technical aspect**? Please check and comment.

- It is costly.
- Information infrastructure such as internet line is poor.
- Does server have enough capacity?
- Is processing speed quick enough?
- Is it quick to respond to any problem?
- 24 hour maintenance system is implemented?
- Others ()

(4) Other points noticed

a: Did you have any chance to **send your opinion** to the development or amendment of EDI system? Do you think it is necessary to prepare a system to reflect opinion of users?

b: Is it necessary to have **consulting desk** in the web page so that you can avoid trouble later? Or it might be the same without changes in the bureaucracy?

c: Do you think EDI application is a burden? Or, it is necessary to **remove disincentive** such as PNB (Penerimaan Negara Bukan Pajak) for EDI application.

d: What is your opinion when you rank the **EDI** in Indonesia **among ASEAN** countries? How about **trade facilitation as a whole** among ASEAN countries?

Comments if any

2. Problems experienced in the recent export-Import procedures.

2-1. Please locate your trouble recently experienced in the following categories.

(Prioritize the seriousness of items by numbering ascending order such as No.1 for most troublesome.)

| Priority | Category (Item) | Comment and specific description of trouble |
|----------|--|---|
| | Customs Documentation | |
| | Customs Due payment | |
| | Electronic Customs Procedure | |
| | Lack of information relaying from HQ - Regional - Service office in the Customs Department | |
| | New regulation without prior notice | |
| | Interpretation of new regulation | |
| | Organizational problem between customs and related agencies | |
| | Post-Clearance Audit | |
| | Others | |

2-2 What do you think is the cause of trouble, or impediments for trade facilitation?

(Prioritize the identified impediments by numbering ascending order such as No.1 for most significant.)

| Priority | Item | Comment & specific description if any |
|----------|--|---------------------------------------|
| | Lack of human resources | |
| | Inconsistent interpretation of regulation by officials | |
| | Lack of information and related technology (Website on-line service) | |
| | Lack of supporting infrastructure at Port or Airport | |
| | High rate of irregular cost | |
| | Others | |

2-3 Do you think that those problems are being amended by the sole effort of the Customs office? If there are any other agencies involved, please comment.

2-4 Some Customs officers say that forwarders/consignees are slow to pull out the cargo after SPPB. To what degree do you agree? Please give your idea how much the forwarders/consignees to be blamed. Do you have any comment?

[] less than 30%, [] 30% -50%, [] 50%, [] 50% -70%, [] more than 70%

2-5 Some Customs officers say that consignees' documentation contains mistakes because of lack of training of the staff of forwarders. To what degree do you agree? Please give your idea about how much the consignees to be blamed.

[] less than 30%, [] 30% -50%, [] 50%, [] 50% -70%, [] more than 70%

2-6 Some Customs officers say that forwarders/consignees preparation is poor for Physical Inspection. To what degree do you agree? Please give your idea how much the forwarders/consignees to be blamed.

[] less than 30%, [] 30% -50%, [] 50%, [] 50% -70%, [] more than 70%

3. As to **communication with other department**

Is there good communication among other department of the government?

How difficult to communicate with departments for approval and trade related issues?

3-1 Please check the difficult department and comment your experience.

| | Department | Comment & specific description |
|--|------------------|--------------------------------|
| | Deprindag | |
| | BKPM | |
| | Deptan | |
| | Dephut | |
| | Depkes | |
| | BPOM | |
| | DJ Bea dan Cukai | |
| | Others | |

3-2 If these related agencies become better in communication,

a: What kind of improvements do you expect?

- Processing time will be minimized.
- Documentation will be less.
- Duplication of documents will be avoided
- Less costly
- Others

b: When the communication effectively work, how much do you hope to reduce the time and cost of trade related procedures?

- Time saving: less than 5 %, approx. 5 %, 5 % -10%, more than 10%
- Cost saving: less than 5 %, approx. 5 %, 5 % -10%, more than 10%

4. As to Infrastructure of Port and Airport

What kind of improvements do you recognize in recent years so far?

- Yard condition inside the port area has been improved.
- Warehouses are improved?
- Bonded area and its system have been improved?
- Parking area has been improved?
- Security has been improved?
- Road has improved outside the port area
- Lighting system has improved ?
- Sign system and area guidance are improved?
- Banking and payment system have improved (with EDI system)?
- Others ()

Do you have any request for the improvement of facilities and trade system?

- Yard inside the port area needs to be enlarged.
- Warehouses needs to be upgraded
- Bonded area and its system need to be better prepared?
- Parking needs to be increased
- Security to be improved
- Access Road outside the port area needs to be improved.
- Lighting needs to be improved.
- Officers need to be trained for enforcement of law.
- Number of officers need to be increased.
- Organization needs to be changed in order to deal with the recent EDI development.
- Others

Please comment your opinion freely on trade facilitation in Indonesia.

Interview Date: _____ Interviewer: _____

Appendix E

RECORD OF SEMINAR

I. Analysis and Summary of Responses from Seminar Attendants

Questionnaire survey was conducted at seminars in 4 cities. Questionnaire sheet was distributed in the morning at registration, and collected when participants leave the seminar hall. This section is a summary of information gathered from seminars in these cities. Tables are all originally produced by the study team unless otherwise noted.

1. Overall evaluations of seminars

Evaluation of seminar is made by attendants. Most of the participants had favorable impressions to the seminars. Approximately 75% of people answered either good or very good in most cities except Medan in which people seemed to be more critical. But the background of this result attributes to the small amount of international cargo and smooth flow in the process of customs clearance.

Overall evaluation of the Seminar in 4 locations

| | Jakarta | | Surabaya | | Makassar | | Medan | | Total | |
|-------------|------------|-----------|------------|-----------|------------|-----------|------------|-----------|------------|-----------|
| | | 30 | | 21 | | 25 | | 30 | | 106 |
| Very good | 17% | 5 | 24% | 5 | 20% | 5 | 0% | 0 | 14% | 15 |
| Good | 63% | 19 | 52% | 11 | 56% | 14 | 50% | 15 | 56% | 59 |
| Neutral | 20% | 6 | 10% | 2 | 20% | 5 | 37% | 11 | 23% | 24 |
| Bad | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 |
| Very bad | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 |

Sorted by affiliation of participants, government officers felt neutral impression whereas private people found the seminar instructive with nearly 2 thirds of people responding good, and together with 17% of people felt very good, total people who answered good or very good amounts to nearly 80%. This is a substantial difference from the responses of government officers 64%

Overall evaluation of the Seminar by affiliations

| | Government officers | | Private & Association | |
|-------------|---------------------|-----------|-----------------------|-----------|
| Very good | 12% | 6 | 17% | 9 |
| Good | 52% | 27 | 62% | 32 |
| Neutral | 29% | 15 | 17% | 9 |
| Bad | 0% | 0 | 0% | 0 |
| Very bad | 0% | 0 | 0% | 0 |

2. Important topic identified by participants

As for the question asking the important topic, Majority of participants answered lowering trade barriers in most locations.

Assumed important topic identified by participants of seminar

| | Jakarta | | Surabaya | | Makassar | | Medan | | Total | |
|--|------------|-----------|------------|----------|------------|-----------|------------|----------|------------|-----------|
| Operation by the Customs, Deprindag and Other agencies | 47% | 14 | 43% | 9 | 28% | 7 | 13% | 4 | 32% | 34 |
| Laws and regulations | 27% | 8 | 33% | 7 | 52% | 13 | 17% | 5 | 31% | 33 |
| EDI Development and e-Government | 33% | 10 | 29% | 6 | 56% | 14 | 17% | 5 | 33% | 35 |
| Lowering trade barriers | 53% | 16 | 43% | 9 | 72% | 18 | 27% | 8 | 48% | 51 |
| Infrastructure such as Port, Airport, Road | 47% | 14 | 38% | 8 | 52% | 13 | 23% | 7 | 40% | 42 |
| Port and airport operations | 37% | 11 | 48% | 10 | 48% | 12 | 10% | 3 | 34% | 36 |

When sorted by affiliations, in addition to the topic of lowering trade barriers, construction of infrastructure, efficient operation of facilities and operation by the government agencies such as customs, ministry of trade.

Assumed important topic identified by participants of seminar

| | Gov. officers | | Private & Assoc. | |
|--|---------------|-----------|------------------|-----------|
| | % | Count | % | Count |
| Operation by the Customs, Deprindag and Other agencies | 19% | 10 | 46% | 24 |
| Laws and regulations | 29% | 15 | 35% | 18 |
| EDI Development and e-Government | 33% | 17 | 35% | 18 |
| Lowering trade barriers | 46% | 24 | 52% | 27 |
| Infrastructure such as Port, Airport, Road | 27% | 14 | 54% | 28 |
| Port and airport operations | 23% | 12 | 46% | 24 |

3. Assumed major reason of taking time between Berthing and PIB

As for the reason of taking time between berthing and PIB, there are certain identification that weekends as extra time and complicated PIB form could be top reason of delay, and lack of consultation is also a major reason. Some forwarder wrote “In the case of typing mistake, we must make letter of statement. Sometimes HS from importer is different from BL.

Assumed major reason of taking time between Berthing and PIB

| | Jakarta | | Surabaya | | Makassar | | Medan | | Total | |
|---|---------|-------|----------|-------|----------|-------|-------|-------|-------|-------|
| | % | Count | % | Count | % | Count | % | Count | % | Count |
| PIB form is complicated, detailed and difficult to avoid mistakes | 23% | 7 | 43% | 9 | 20% | 5 | 27% | 8 | 27% | 29 |
| Forwarders are not accustomed to prepare PIB, therefore takes time. | 10% | 3 | 14% | 3 | 16% | 4 | 10% | 3 | 12% | 13 |
| HS code is not sufficiently correspond to cargo items | 27% | 8 | 10% | 2 | 12% | 3 | 3% | 1 | 13% | 14 |
| Consultation is not possible before submission, therefore after PIB is rejected need to rework. | 33% | 10 | 19% | 4 | 32% | 8 | 3% | 1 | 22% | 23 |
| Weekends cause extra time | 30% | 9 | 29% | 6 | 40% | 10 | 3% | 1 | 25% | 26 |
| Exchange rate renewal on Monday cause extra time to prepare PIB | 20% | 6 | 29% | 6 | 20% | 5 | 3% | 1 | 17% | 18 |
| Duty payment takes time | 17% | 5 | 24% | 5 | 20% | 5 | 7% | 2 | 16% | 17 |
| Blocking of other cargo influenced the PIB submission | 23% | 7 | 14% | 3 | 32% | 8 | 10% | 3 | 20% | 21 |
| Others | 7% | 2 | 10% | 2 | 4% | 1 | 13% | 4 | 8% | 9 |

When looked at from different angles, there are noticeable indications that private people feel that (1) weekends (2) lack of consultation and (3) complicated PIB form are clear reason of delay. In addition to these, “Exchange rate renewal on Monday” and “Blocking of other cargo” are also identified as reason

Assumed major reason of taking time between Berthing and PIB viewed by different angle

| | Gov. officers | | Private & Assoc | |
|--|---------------|-----------|-----------------|-----------|
| | % | Count | % | Count |
| PIB form is complicated, detailed and difficult to avoid mistakes | 31% | 16 | 25% | 13 |
| Forwarders are not accustomed to prepare PIB, therefore takes time. | 15% | 8 | 10% | 5 |
| HS code is not sufficiently correspond to cargo items | 15% | 8 | 12% | 6 |
| Consultation is not possible before submission, therefore after PIB is rejected need to rework. | 17% | 9 | 27% | 14 |
| Weekends cause extra time | 13% | 7 | 37% | 19 |
| Exchange rate renewal on Monday cause extra time to prepare PIB | 10% | 5 | 25% | 13 |
| Duty payment takes time | 13% | 7 | 19% | 10 |
| Blocking of other cargo influenced the PIB submission | 17% | 9 | 23% | 12 |
| Others | 13% | 7 | 4% | 2 |

4. Major reason of taking time at Physical Inspection

People in Makassar seemed to be eager to answer to this issue, and three reasons are commonly

identified as major reasons, namely, (1) It takes time to find appointed officer (2) It takes time to communicate and arrange the schedule, and (3) Preparation for the inspection is not standardized and requires negotiation. On Thursday and Friday cargo inspection place is very crowded, and agents need to wait longer than other days.

Assumed major reason of taking time at Physical Inspection

| | Jakarta | | Surabaya | | Makassar | | Medan | | Total | |
|---|------------|-----------|------------|----------|------------|-----------|------------|----------|------------|-----------|
| It takes time to find appointed officer | 43% | 13 | 24% | 5 | 48% | 12 | 3% | 1 | 29% | 31 |
| It takes time to communicate and arrange the schedule | 33% | 10 | 38% | 8 | 32% | 8 | 17% | 5 | 29% | 31 |
| It takes time to set the schedule within working hours of officers. | 27% | 8 | 19% | 4 | 20% | 5 | 3% | 1 | 17% | 18 |
| Working hours are not efficiently utilized for inspection work | 17% | 5 | 14% | 3 | 28% | 7 | 17% | 5 | 19% | 20 |
| Officers are not enough to handle increasing number of cargo to be inspected | 23% | 7 | 24% | 5 | 28% | 7 | 3% | 1 | 19% | 20 |
| Officer for the inspection is more than one and takes time to arrange the schedule | 30% | 9 | 10% | 2 | 20% | 5 | 0% | 0 | 15% | 16 |
| Preparation for the inspection is not standardized and requires negotiation | 30% | 9 | 29% | 6 | 56% | 14 | 30% | 9 | 36% | 38 |
| It takes time to arrange cargo to move to the inspection area | 20% | 6 | 10% | 2 | 24% | 6 | 17% | 5 | 18% | 19 |
| Inspection area is not large enough to accommodate cargos to be inspected. | 20% | 6 | 19% | 4 | 20% | 5 | 10% | 3 | 17% | 18 |
| Others | 3% | 1 | 0% | 0 | 0% | 0 | 3% | 1 | 2% | 2 |

Private people identify above three reasons stronger than government officers. In addition, private people identified reasons related to officers such as "It takes time to set the schedule within working hours of officers" and "Officers are not enough to handle increasing number of cargo to be inspected" much more naturally than government officers themselves.

Assumed major reason of taking time at Physical Inspection

| | Government officers | | Private & Association | |
|--|---------------------|-----------|-----------------------|-----------|
| It takes time to find appointed officer | 21% | 11 | 38% | 20 |
| It takes time to communicate and arrange the schedule | 25% | 13 | 35% | 18 |
| It takes time to set the schedule within working hours of officers. | 6% | 3 | 29% | 15 |
| Working hours are not efficiently utilized for inspection work | 21% | 11 | 17% | 9 |
| Officers are not enough to handle increasing number of cargo to be inspected | 12% | 6 | 27% | 14 |
| Officer for the inspection is more than one and takes time to arrange the schedule | 10% | 5 | 21% | 11 |
| Preparation for the inspection is not standardized and requires negotiation | 33% | 17 | 40% | 21 |
| It takes time to arrange cargo to move to the inspection area | 21% | 11 | 15% | 8 |
| Inspection area is not large enough to accommodate cargos to be inspected. | 19% | 10 | 15% | 8 |
| Others | 6% | 3 | 0% | 0 |

5. Major reason of taking time after SPPB to Gate-out

As reason of taking time after SPPB to gate-out, traffic jam is listed most in Jakarta but arrangement of trailers is listed high in Makassar. Obtaining verification for gate-out may cause another reason of taking time. Some forwarder wrote "Re-cheque makes slow down. It is better to make automatic exit and data have been transferred to the exit gate later"

Assumed major reason of taking time after SPPB to Gate-out

| | Jakarta | | Surabaya | | Makassar | | Medan | | Total | |
|--|------------|-----------|------------|----------|------------|----------|------------|----------|------------|-----------|
| It takes time to arrange trailers to carry-out | 23% | 7 | 19% | 4 | 64% | 16 | 27% | 8 | 33% | 35 |
| Traffic jam causes low productivity of trailers | 60% | 18 | 29% | 6 | 36% | 9 | 27% | 8 | 39% | 41 |
| Free time at port area gives a few days of allowance to take out of the port area. | 10% | 3 | 10% | 2 | 20% | 5 | 7% | 2 | 11% | 12 |
| It takes time to obtain verification | 20% | 6 | 19% | 4 | 36% | 9 | 20% | 6 | 24% | 25 |
| Delivery order is slow to be checked. | 20% | 6 | 24% | 5 | 36% | 9 | 10% | 3 | 22% | 23 |
| Other | 3% | 1 | 5% | 1 | 0% | 0 | 7% | 2 | 4% | 4 |

Traffic jam is recognized by both gov. officers and private people, but obtaining of verification is identified much strongly by private side.

Assumed major reason of taking time after SPPB to Gate-out

| | Government officers | | Private & Association | |
|--|---------------------|-----------|-----------------------|-----------|
| It takes time to arrange trailers to carry-out | 38% | 20 | 29% | 15 |
| Traffic jam causes low productivity of trailers | 38% | 20 | 40% | 21 |
| Free time at port area gives a few days of allowance to take out of the port area. | 8% | 4 | 15% | 8 |
| It takes time to obtain verification | 17% | 9 | 31% | 16 |
| Delivery order is slow to be checked. | 19% | 10 | 25% | 13 |
| Other | 6% | 3 | 2% | 1 |

II. Record on Discussion of Seminars

[A. Makassar]

Seminar on Trade Facilitation Reform
Makassar, South Sulawesi February 1st, 2005

(PROGRAMS)

- 09 : 30 Opening by MC
- 09 : 40 Opening remarks by Deputy Minister of Coordinating Ministry of Economic Affairs (Mr. A. Habibi)
- 10 : 00 Key note speech by local Government of South Sulawesi (Regional Development Planning Board (Bappeda) by the head of South Sulawesi Bappeda Mr. Ruslan.
- 10 : 15 Tea Break
- 10 : 45 Report of the Study (Study Team) chaired by moderator (JICA - Team)
- (1) Outline of the study
- (2) Measurement survey for time required – process
- (3) Report for interview survey
- (4) World efforts in Trade Facilitation and Indonesia
- (5) Recommendation and Action Plan
- 12 : 00 Panel Discussion
- Speakers: Mr. Ruslan (Bappeda south Sulawesi), Mr. Yamashita (JICA),
Drs. M. Sidik Salam (Trade & Industry Department South Sulawesi),
Drs. Sulhan Hasan (Transportation Department South Sulawesi) and
Mr. Prof. Burhamsah (Hasanuddin University).
- 13 : 00 Moderator's Remarks
- 13 : 30 Closing seminar
- 14 : 00 Lunch

1. Opening by Deputy Minister of Coordinating Ministry of Economic Affairs

He Said That :

I welcomed this seminar very well, and it is my pleasure to welcome you all in this seminar socialized by JICA Team.

We have known that, nowadays business competitive does not have any good protection which means business competitive is not good in Indonesia.

Why Makassar is selected as the area of socialization of this study related to port area problems? We know that Makassar is one of the export commodities in Indonesia and the biggest one in the eastern part of Indonesia and also related to five in one efficiencies found by JICA. There are a lot of commodities are shipped in Makassar port. Like cocoa Beans. South Sulawesi is the largest cocoa producer in Indonesia but right now we do not have good cocoa beans procession and good port handling. What are we going to do for these commodities & port handling? or what are we going to do for republic of Indonesia?

We Believed that: in making project we have to:

- ★ Study first like JICA – Team did.
- ★ JICA has already made some recommendation.

I hoped the governors or head of the districts or other related agencies make the good working team & good recommendation. Thank you and have a good Seminar.

2. Governor of South Sulawesi (presented by the head of regional development planning board of Sulawesi (Bappeda) Mr. Ruslan.

He said : Sorry for the governor of South Sulawesi for not coming on this seminar but I have been asked to present his presentation and he welcomed this seminar too.

First of all, Thanks for economic minister affairs & national development planning board (Bappenas) and also we thank for JICA – Team for the making of this seminar.

In my opinion this is the correct time of making this seminar because we have just passed by the 100 days of the Indonesian new President, So we hope this seminar is going to be an input for regional development in formulating the government policy especially in trade sector.

And we welcome the Deputy of Industry, Trade & middle & small Scales entrepreneurship and the JICA Team in the city of “Angin Mammiri” the wind-blows city of Makassar.

- Following up the economic development includes regional economic structure and main commodities competitive, and we know that trade has a very important role in this, and look at the economic development macro in South Sulawesi in the year of 2003 has an increase 5.37% and 2004 increased 5.97% and the Perkapita-income was closed to six million and this is the highest since the economic crisis.
- For few years recently, trade sector in South Sulawesi has made the good increase by seeing the good economic growth.

- For three years currently, South Sulawesi export has shown the good increase, it is about 21.05%. South Sulawesi is dominated by 10 main commodities, consists of Agriculture 38%, Industry 10% and mining 52%, to the main consumers countries in Asia, America & Europe.

But, there are some problems:

There is not direct-trade from Makassar to the country of arrival/ destination, transport cost at Makassar port is still higher compared with other ports at western Indonesia, the limited of trade accessibility for middle small scale Business/emprenurship.

- So, through this seminar I would like to tell that this is going to be a study material in foreign trade, and some cases related to this:
 - √ There is deregulation, and this can be challenges like 10% tax for cocoa Industry Procession, and decreased manufactures capacity 57.4%.
 - √ Optimalization and efficiency of port handling.
- There are also some issues about smuggling, and the limited infrastructure, and it is difficult to detect the flow goods.
- 2 years ago we followed the urban city development in Singapore and I asked, why are there many industries built in Singapore? In Indonesia in doing or building some project requires a lot of procedures, all of complaints are the late shipment or trade, Tax & distribution are not consistent and not good investment permit.
- He said other thing also like public – service, There are there good samples of public service in Indonesia : West Sumatra, Jokjakarta, and South Sulawesi
And South Sulawesi is the best but also the waist and the record is only 13%

3. Seminar

Moderator: Mr. Ruslan (Head of Regional Develop. Planning Board of South Sulawesi).

Reports of the study: (JICA Team)

* Back to Moderator *

He Said, yes we get behind of our port handling compared with other countries and finally we got many things to do after the JICA – Team survey.

4. Comments

(1) Professor Halide : Hasanuddin University Makassar : I agreed with the background of this study what is wrong ? and what is need ?

* Port facilitation is small procedures

* We need the quality not only the facilitation

Frankly speaking that : Makassar port is better than Jakarta, and we need the port authorities from : transportation, customs, trade and industry.

Mr. Halide suggested that : please complete your study not only in Jakarta but also, Surabaya,

Medan and other ports. He also Said, infrastructure increases quality and the producer areas.

(2) Professor Burhamsah (Hasanuddin University Makassar)

To clarify that: one day I met a Dutch exporter and he Said mostly product is distributed to Singapore after that to Indonesia, I asked why ? He Said if I look for ship to Indonesia it takes one – month.

I also met an importer of Cocoa Beans from Holland.

I asked him : why do you import Cocoa from Singapore ? not Indonesia ?

He answered :

If I ask Makassar about Cocoa beans, they say “ My Product is not collected yet “ and also the price is higher than Singapore.

(3) Professor Burhamsah also Said:

In Makassar, we do not have real exporter only the local collectors.

In this country procedure (customs procedures or port procedures) is missing. Problems are not only about ports but also our Businessman do not know well about International port handling & Business.

Industry & Trade Department of South Sulawesi

He focused on: Route, South Sulawesi does not have direct route to the country of arrival.

So, our competitive Business in trade & Industry is weak & low. From Makassar cargo must go via the routes of Jakarta, Surabaya or Denpasar.

- Actually, we have had a lot of meeting, to overcome this issues domestic shipment, how to have the direct shipment or dispatch from port of origin to port of destination through the Makassar port.

Challenges

- √ Higher cost (time & transport)
- √ No regional destination promotion centre
- √ Need to build also center for promotion & industry commodities.

Transportation Department of South Sulawesi

Yes, transportation system in Indonesia is not appropriate yet, but we agreed that one reason is because this country is bigger than others, especially in Asia & South East Asia. Besides that we do not have efficiency in transport-handling.

Challenges

- √ We still need the higher cost of transport cargo from one port to other ports.
- √ Each Regional Government is going to make their own small port, they requested in each District Government think that, that is a project.
- √ No concrete limitation of making new port.
- √ Regional autonomy, is given, the misperception.

There, must be a division between west & east Indonesia about the goods distributions._

- Input from the Chairman (Mr. YAMASHITA)
In my personal opinion: You have a lot of opportunities to achieve your target.
In Japan: It is not decentralization while (Indonesia is starting decentralization only focused in Jakarta) that is your problem:
Please improve your trade volume because it's still smaller, but do not forget to improve "SERVICES": like customs & immigration.
- Again said the moderator: thank you Mr. YAMASHITA.
He added: Currently, most of the districts wanted to make his-own local port and the centre government in Jakarta always agree or just agree, like the former speaker said.

5. Participants Questions

- (1) From exporter to JICA Team: You said that we are losing customers, competition & investment, but why don't you focus on export & import systems. Do you consider also the human element? How effectively do you think about my Country Political Economy Diplomacy?
- (2) From UKM: Middle & small business scales
What & why with Makassar port?
In my opinion: we need good approach with other interrelated agencies.
 - √ We need each sub district to have small port for good distribution.
 - √ We need to have the port according to its function and usage.
- (3) From trade and industry chamber South Sulawesi (Kamar Dagang dan Industri / Kadin).
 - Why do we need more ports if they are not sufficient?
 - In my opinion: There are two things have to be emphasized! "SYSTEM & INFRASTRUCTURE"
- (4) Question from no name:
Why did JICA talk only the export & import of the ports? I think we need "Procedures" (Time & Infrastructure)

6. JICA Team Answered

- √ You have to know : every country has different political/economic Diplomacy, I think your political Diplomacy is better than Japan.
 - √ Please promote Makassar your self in order to have the direct connection.
 - √ If you manage the port better you would make better handling and shipping area in Asean.
- And finally, I kindly agree with the questioner's view. Thank you

7. Moderator Additional Points

- √ Actually, we had tried to improve & increase the development of good port in Indonesia, especially in Makassar.

- √ According to former economic affairs minister (Mr. Dorojatun) not only west part of Indonesia is developed to be International port but also the east part of Indonesia, and Makassar is the most strategic area port, we have designed Makassar to be economic activities especially good port – handling management, said the Moderator (the head of Regional Development Planning Board) South Sulawesi. Mr. Ruslan, we hope, not only the port handling but also the other important things.
- √ Finally Let me express my gratitude to all participants, especially the presenters, our special thanks to JICA – Team for your coming, presentation and assistance and by saying Alhamdulillah Rabbil Alamin (Praise be to god) I formally closed this seminar and have a good lunch. Thank You.

[B. Surabaya]

Seminar on Trade Facilitation Reform Surabaya, East Java, 3 February 2005

KEYNOTE SPEAKER OF EAST JAVA GOVERNOR

SEMINAR ON TRADE FACILITATION REFORM IN INDONESIA Surabaya, 3rd Feb 2005

To : Deputy Coordinating Minister for Economic Affairs.

To : JICA Indonesia Representative.

To : Panelists

A gratitude to The Office of Coordinating Minister for Economic affairs and Japan International Cooperation Agency (JICA) that facilitate this seminar. Hopefully this seminar gives benefits to reform trade field especially to stimulate the activity local economy.

An external development dealing with global trade now is getting closer and it needs national and regional global competition power, because in global trade concept will weaken government economy or regional that has low competition power.

Due to such condition, it needs to improve regional competition power though the efficiency of economic activities, it's not only production aspect but also distribution. A reformation in trade especially exports and import activities is very important because trade is the main motor of economic movement that effects in production sector, consumption and investment.

The East Java economy increasing pretty good recently, 5.3%-increased target in 2004 is completed in 2004, eventhough it is still dominated by consumption. Investment will be priority in East Java economic structure to create job vacancy in every year and gradually reduce the poor people.

Trade is a motor of economic movement, especially in export. It's proved in East Java economy structure 2004 can contribute 25.90% with two main sectors which are sector industry process 26.18% and agriculture sector 19.36%. This trade sector is very rational and logical. Quantity and export volume of about 69.87% - 91.50% are already done through Tanjung Perak port, while realization of import value (non oil & natural gas) in East Java semester I in 2004 is 3,128 billion dollars (America). We can see that East Java trade work (kinerja) got surplus.

The exporters have some external barriers dealing with global market such as in a progress country have many rules; tariff policy and non tariff policy through subsidy, dumping and safeguard. In the last eight years, some Indonesian exporters suffer a financial loss because of those protection accuse like dumping, subsidy and safeguard 119 times from importer country.

Internal factor that is easily found are product quality that weaken competitive power, distribution system need to facilitate good management of export and import service, while dumping, subsidy and safeguard issue must be quick socialized so the regional exporter get the information early, to avoid wrong accusations that if they're proved the export product will be charged Anti Dumping Custom (BMAD), repayment for import duty and safeguard actions, of course those become serious barriers that have to be solved.

Having those kind of problems, East Java province government had internal discussion to start establishment or about one place export-import service at Tanjung Perak port in Surabaya. That plan is badly needed to make a very efficient economy.

To realize that plan, the government has 4 steps:

First: East Java Integrated Industrial Zone (EJIIZ), it is included 7 regencies/cities.

Second: Increasing trade promotion and invest to Mid-East, China, Europe and South Asia countries.

Third: To initiate East Java trading house.

Fourth: Increase UKM credit access by East Java APBD funds at PT. Bank Jatim & PT. BPR Jatim with non commercial interest 6% that is 50 billion rupiah in 2004 and 60 billion rupiah in 2005. Those are supported land certification activities owned by UKM started this 2005. It is only for UKM that has export orientation.

Surabaya, 3rd February 2005
East Java Governor

Imam Utomo. S

PANEL DISCUSSION

Mr. Eddy Pirih (Chamber of Commerce)

To consider that Indonesia has port facility is pretty small, so we cannot compare to Singapore -- port only for transit and loaded.

Malaysia --- The country is very small.

Thailand---- The country is very small.

Problems:

1. Government must not decide sectoral but must integrated.
2. All the regulations from Government must be transparent.
3. Government gives too many regulations that are over reacting so the implementation and the regulation becomes confusing.
4. There are many associations of trade but never go together with some government departments that related with trade systems and procedures.

Solutions:

1. Reward for success company, punishment for company that against the law. Rules must be consistent.
2. No too many government regulations so will not be confusing, understand and more practiced.

Mr. Cip (Disperindag- Government Trade and Industry Institution)

Problems:

1. The process of document is too long.
2. Too many government Institutions, Private & Banks.
3. Location of the offices, departments connected with port and trade is far, from one office to the other offices.
4. Reform filling management.
5. High cost and not transparent.

Solutions:

1. Try to make import and export service in one place with efficient system.
2. The bureaucracy have to understand the business of area, so can help export and import handled professionally.
3. Have to be responsible in export and import service to public.

Targets:

1. Location – one place centered in Tanjung Perak port of Surabaya.
2. Have to integrated.
3. Simplify the documents.
4. To equalized the people, people with title and without title must have the same right.

5. Improve the services, especially in certifications & production.

Steps of Facilities Reformations:

1. Planning for design system
 2. Standard operational procedure.
 3. Supply software and networks.
 4. To have an experiment and assist of the carrying project.
- 1st phase : 1-3 months designing.
2nd phase : 3-6 try the system.
3rd phase : last 6 months – to develop the organization.

Mr. Heriyanto (Head Finance of Customs)The JICA's system is already good, but customs integrity have to improve such as:

1. Free from KKN (Collusion, Corruption and Nepotism).
2. Good service done efficiently and professionally.
3. If there's a customs officer take an advantage from you, just report directly to the people in charge.
4. If there's a customs officer complicate you, just report directly.
5. Exporters importers, bankers, etc dealing with trade procedures and process will get a reward when they get achievement.

Mr. Tjuk Sukadi

Do not blame the large of Indonesia country when you compare the sophisticated system in Malay, Singapore and Thailand port. The real problem is the people themselves, we want to change the systems, the trade procedures, the process, etc but deep inside the human recourses have to be totally improved. The big history of Majapahit was dominated in Java many years ago, and at that time it was the biggest economic leading country in South East Asia.

[C. Jakarta]

Seminar on Trade Facilitation Reform

Jakarta, 8 February 2005

Date : **February 8, 2005**
Place : **BKPM Auditorium Jakarta**
Time : **9. ¹⁵ – 14 ⁰⁰ PM**
Attachment : **Attendance List**
Speech of Dr. Dipo Alam in English

- (1). 09.15 Open the Seminar MC
- (2). 09.17 Opening Remarks by Mr. Funabashi of JICA Indonesia Office. First of all Mr. Funabashi express his condolences about the disaster which this country have to bear and the country in the region have to bear. Also he apologize because JICA Resident Representative Mr. Kato and Deputy Resident Representative Mr Anasato could not make to be part in this Seminar because they have been involved quit much time in the operation in Aceh. And what make possible to achieve such kind of recovery in that area is the economic grows in another part of the country, that is way he welcome every body in this seminar and will discussed about Trade related facilities and procedures. This is one of the most important issues which JICA considered and he understand in this country of course the economic grows let by the investment is one of the most important topics and Japanese Government and of course JICA considered the same. That is why it was we considered this kind of topic for Trade related facilities and conditions. And JICA study team lead by Mr. Yamashita they have been conducting the study for almost one year and they have visit several places and they got some findings and also they have analyze the result and the have prepared the recommendations. They have already this time visit two places / two regions and also they have are going to visit one more besides Jakarta and they got presented this information and they got some ideas. And of course to day here at this seminar room, we would like every body to know about their findings and recommendations, maybe some times this is something which you don't want to hear because you have to change your attitude or your have to change the manner of the work. But I would like everybody to understand, now we have been working on only one Common issue the prosperity of Indonesian Government and we would have to consider is not to be comfortable in our office but is not what we have to pursuit. What we have to pursuit is again the prosperity of the economy of this country that is why here to day please listen very carefully to the findings which the study team going to present and of course if you have some comment and of the bases your welcome to express such kind of ideas and that would make then possible next actual steps and JICA has been considering the next step of course on this issues but everything would be based on information what we got here, we can not ignore this and we can not just ignore information and the result of the study. Because it is very very important for the making of the actions so that is why to day I want to present the study team and before they present the result I guess Mr. Dipo Alam please I welcome your keynote speech and we all like to hear from you, thank you very much. And thank you very much again welcome to the seminar.
- (3). 09.27 Key Note Speech by Mr. Dipo Alam, deputy Minister of Economic Affair. Mr. Dipo welcome colleagues from JICA and also Team Leader of JICA Study Team Mr. Yamashita and all of Indonesian colleagues he welcomes, good morning and talks in Bahasa as follows :

Ladies and Gentlemen,

Thank you for attending this seminar.

Maybe recently you have heard that the Coordinating Ministry of Economic Affairs had organized infrastructure summit things to be put in order by us either the regulation or management and also the human resources, also the technical problem and how to implement in the details.

One of the aims for encouraging our economic growth to be more higher and also to provide employment opportunity is by Trade Facilitation.

Talking about Trade Facilitation is also talking about customs reform that is why I am very happy that our colleagues from the customs even Mr. Agung Permana the expert assistance to the Minister of Finance and he is the former Director General of Customs. We would like to get inputs based on the comprehension on Trade Facilitation, actually now we are encourage kind of infrastructure development.

That is why we are grateful that JICA has conducted a study regarding Trade Facilitation. So it depends on us whether we receive this study result only as a scientific paper after that then finished, or we have to put it in realization. It is our obligation to socialize this Trade Facilitation Reform to the audience of this seminar.

So we are not only talking about infrastructure development but also investment and don't forget also the local regional development as we have committed economic decentralization. The development of Tanjung Perak, Tanjung Priok, Makassar and Belawan ports etc. constitute also part of regional development which include the economic decentralization. The study is not a perfect one, so we have to give inputs and to follow up the study, whether it is from BKPM side or from Ministry of Finance Office, or from Customs or from other Ministries Offices and also from the Association of private sectors.

So later on we got financial support or not it will depend on ourselves to follow up the study result. This is the impression and hope that this seminar will be successful.

Therefore hoping this one day seminar really belongs to all of you who are concerned on the investment climate and also concerned on infrastructure development to improve our competitiveness and let us will have more investment and also increase our export in order to or as our effort to provide more employment opportunity and of course out economic growth.

Key Note speech of Dr. Dipo Alam in English is compiled in the minutes of Medan

- (4) 9.30 Tea Break
- (5) 10.00 Presentation / Report of the entire study
- (6) 11.00 Panel Discussion

- Moderator : Mr. Sulystio from Ministry of Economic Affairs
- Panelist : 1. Mr. Karim from Customs Office
2. Mr. Adolf Tambunan from DGSC
3. MR. Harmin Sembiring from BPEN (Board of National Export Development)
4. Mr. Saroso from KADIN (Chamber of Commerce)
5. Mr. Yamashita from JICA Study

Suggestion by Panels

The panelist explain and make suggestion on the matters regarding Trade Facilitation reform including customs reform. And also how to make our port interesting and competitive. Lack of infrastructure and Human resources that makes low competition.

There are 3 point of the contribution for the port to compete :

1. Development of Infrastructure
2. Promote Competitiveness
3. Improve Maritime Safety and Security

Tanjung Priok is the pilot project of APEC – STAR Project where the United States gives assistance to Indonesia.

Mr. Saroso from Indonesian Chamber of Commerce invites Working Groups, Ministry of Finance and Customs to follow up the study and the implementation

Mr. Yamashita gives deep gratitude to all of the audience and the panelist member.

Question

I. Mr. Djoko Wiratmojo (Directorate General of Air Communication)

1. This study covers only some small part of airport cargo and this scope is very limiting
Why don't make evaluation on access to the airport itself.
2. Comment in the target to put Jakarta as Regional Hub is ambitious

II. Mr. Asianto Sinambela (Ministry of Foreign Affairs)

Question regarding presentation by Mr, Hideaki Uematsu
I would like know what have your team identified in this regard

Answer by Mr. Uematsu

1. Follow simplification, Mr. Adolf refer to FAL convention, also the Government ratify this FAL Convention, there is no arrangement in according to FAL Convention have been made. So it is time you to arrange this.
2. Korea is perfect, Japan is not so
Simplification of trade facilitation of Single window system is one to achieve and many preconditions must be realized

III. Mr. Sorelo (Indonesian Chamber of Commerce)

My comment is that we can accept and respect the study result. The important thing is the attitude of our businessman they like to make use of the current situation. So the critical one is one the legal system. It is time to reform, the custom system, etc.

Mr. Sulystio concluded that there are some of the system need to be corrected and after the study the question is what next ?.

Mr. Sulystio closed the seminar with gratitude to all participants of the seminar.

[D. Medan]

Seminar on Trade Facilitation Reform
Medan, Sumatera Utara 15 February 2005

(PROGRAMS)

- | | |
|---------|--|
| 09 : 30 | Opening by MC |
| 09 : 40 | Opening remarks by Deputy Minister for Economic Affairs (Mr. Dr. Dip Alma) |
| 10 : 00 | Key note speech by local Government of North Sumatera (Head of Bappeda Prop. Sumatera UTara, Ir. Budi D. Sinulingga) |
| 10 : 15 | Tea Break |
| 10 : 40 | Report of the Study (Study Team) chaired by moderator (JICA - Team) (6) Outline of the study (7) Measurement survey for time required – process (8) Report for interview survey (9) World efforts in Trade Facilitation and Indonesia (10) Action plan and recommendation |
| 12 : 00 | Panel Discussion Moderator Mr. Ir. H. M. Natsir Sibarani, MM (Kabid Perencanaan Ekonomi & Keuangan, Bappeda Prop. Sumatera Utara), Mr. Yamashita (JICA), Mr. Ir. Joner Napitupulu (Kadin |

- Prop. Sumatera Utara), Mr. Hendro Swasono SE (PT. Persero Pelabuhan Indonesia I Cabang Belawan and Mr. S. Siahaan (Dinas Perhubungan).
- 13 : 00 Moderator's Remarks
- 13 : 30 Closing seminar
- 14 : 00 Lunch

SEMINAR ON TRADE FACILITATION REFORM

09.30 Open the Workshop Deputy Minister for Economic Affairs (Dr. Dipo Alam)

First of all, I would like to thank for your attending on this one day Seminar on Trade Facilitation Reform in Indonesia. Thank you also to the Committee of the North Sumatera Government which has organized the Seminar in collaboration with the Coordinating Ministry for Economic Affairs, and Japan International Cooperation Agency (JICA).

The situation of Indonesia's economy since the last monetary crisis had made difficult to encourage domestic and foreign investor. In regard with the efforts of the improvement for promoting investment climate as well as developing of the environment, it is desirable to carry out a comprehensive policy within full collaboration all institutions, which have closely related in the international trade include the system, operation and procedure. So, whether local institutions or from abroad can fully participate in the searching the best advantage ways to accelerate the current trade environment. In this occasion, the Coordinating Ministry for Economic Affairs got a grant from the Government of Japan through JICA to undertake the Study on Trade Related Systems and Procedures. The study started in April 2004 and it will complete in March 2005.

Well functioning on trade systems and procedures is one of important preconditions to attaining higher results in international trade relations. The Indonesia government is launching efforts to boost export and promote investment through the National Team for Export Development and Investment Promotion (Timnas PEPI) with the Coordinating Ministry for Economy Affairs, the Ministry of Trade, and Investment Coordinating Board (BKPM) as the main collaborators under the chairmanship of the President of Indonesia (Presidential Decree Number 27 Year 2003).

The Seminar being organized in Jakarta, Makasar, Surabaya, dan Medan are supposed to obtain feedbacks, particularly for preparing the final report. Some important recommendations of the Study are to prepare and upgrade the standards of competetions of Indonesia international market in which advantage is derived from open markets. To make this possible, we have to reform the investment policies, institutions and mechanisms.

Another serious problem is lack of infrastructure. Indonesia's infrastructures have deteriorated since the onset of the financial crisis. Improving infrastructure is one key to attract new investments, and to maintaining Indonesia's international competitiveness, increasing productivity, and generating employment. Due to the government's financial constraints, substantial private financing is necessary to improve the quality and quantity of infrastructure development.

The study on trade related system and procedure is one of the technical assistance by JICA. It is

the first step towards formulating strategies to improve the investment climate in Indonesia. The study is to review the present conditions of trade related systems and procedures and performance procedures, including the use of Electronic Data Interchange (EDI) for improvement of export and import cargo procedures through Tanjung Priok Seaport and Soekarno-Hatta Airport.

Tanjung Priok for sea transport and Soekarno-Hatta for air cargo transport should be developed to be functioning as the regional hub of goods for ASEAN region. The socialization being undertaken is needed in order to enhance cooperation between the government and the business community in all levels.

We believe that the output of today's Seminar will contribute to the formulating of the short-medium term policy for improving investment climate in Indonesia. We expect that after this Seminar, we can surely provide a feasible and reasonable recommendations and action plans for the future. We hope to receive the practical and feasible inputs and feedbacks from all of you.

09.45 Key Note Speech Local Government (Bappeda) – Ir. Budi D. Sinulingga (Kepala Bappeda Prop. Sumatera Utara).

First of all, I would like to invite all attendants to praise and thank, God, who is the greatest, for she blessings so that all us health to attend this good Forum seminar. At this opportunity, I also submit thanks to Ministry Of Coordination Area Economics and Japan International Cooperation Agency (JICA) which this seminarand give positive impacts in order to reform in area of commerce to induce more excite economic activities in area.

Growth of global commerce progressively influences and requires the readiness of national and regional competitiveness. This matter of vital importance is strategic, because global commerce concept with market management principle is able to weaken provincial and/or regional economics that have low competitiveness.

We need to accelerate she wake up of regional area competitiveness efficiency of economic activities of goodness in production and distribution. In distribution aspect, specially regarding policy of export-import which hasnot yet been fully enforced, need reform efforts to prevent the happening of high expense economics recession. Reform is most necessary for export-import activities, because commerce is the motivator of economics, capable to race production, investment and also consumption.

As known the economics performance of North Sumatra during the last four years continue to experience acceleration, from minus 10.9 percent in the year 1998 increased to become 4.77 percent in the year 2004. This condition represents good enough performance, although this growth still predominated by consumption, but will strive the wake-up of investment in economic structure of North Sumatra so that to can create new employments every year, at the same time step by step will lessen the amount of impecunious resident.

As I have said commerce is the economic motivator, specially in the case of exporting, this proven in economic structure of North Sumatra Annual Book 2003, this sector can give big enough contribution. This Contribution by commercial sector is very rational and logical, because until year 2003 the export value of non North Sumatra migas mount 10.25 percent, from 2.537 billion United States dollar in the

year 2000 becoming 2.69 billion dollar in the year 2003. These amounts of export is almost wholly via Belawan Port, while in the year 2003, the non North Sumatra migas import value reached 0.68 billion United States dollar. There by the year 2003 commerce performance of North Sumatra was surplus.

Although in economics structure, commerce represents only one of the activators of North Sumatra economics, this matter rather than without constraint in repair of economics performance, because various external / internal constraints still require serious attention.

Specially external constraints which related to emulation to enter global market are progressively tightened with various risks and resistances which must be faced by exporters. As we know that advanced nations have applied various good regulations in the form of policy of tariff and also non tariff, for example passing subsidy, peacemaker and also dumping (safeguard). In this case during the last eight years, many Indonesian exporters were harmed including those of North Sumatra which have accepted accusation of protection good in the form of dumping, subsidy and security of importer nations.

Poor quality production and poor distribution system are the key internal factors that weaken the competitiveness of export commodities. From other side that, socialization concerning content of dumping, done imperative security and subsidy and are required to be speeded up so that regional exporters get information since early, so that will not get accusations. Otherwise, exporting product will be imposed of anti dumping tax, reward import cost and security actions, and of course this represent serious resistance which must immediately be handled.

Bearing this in mind, Government of North Sumatra Province one year ago have held an internal discussion and started initiation concerning service of export-import one roof in Port of Belawan Field, because this matter have insisted on concerning enough high economic efficiency. Therefore, related to various steps of advocacy which authority center will continue to strive quick service to export-import, easy and cheap, which is expected will affect at regional economic activities. Besides, various regional policies to support performance of export-import had also been initiated, for example is:

First, promotion of trade and investment to nations in the middle East, China and Europe and also friend nations in South East Asia.

Second, initiation of forming the Trading House of North Sumatra.

Third, improvement of access UKM pass location of fund of APBD North Sumatra in PT. Bank of Sumut and despitefully this activity also will be supported by the activity of land certificate of UKM started since this 2005 year. This activity is instructed by UKM which orients export.

In the case of foreign trade earn, we are informed that up to this time it is still limited in access to authority of provincial government. For that we propose the follows:

1. The authority of the Central Government, in case the foreign trade is not too big, shall be delegated to Provincial Government.
2. Management of Port of air and sea managed by BUMN shall be improved of its quality of service and also its facilities and basic facilities in order to earn more optimal.
3. We expect provincial government can be authorized to join in managing seaports and airport in this area.

The above are some of my inputs to this strategic and valueable even, hopefully will induce more valueable ideas from you through this seminar and the study which has been conducted by JICA will win positive responses from Central Government, so as to improve efficiency of economic activity specially in commerce system capable to awake regional economic activity and hereinafter as solution in make-up of good competitiveness. I here by announce the opening of this National Seminar on Trade Facilitation Reform in Indonesia.

10.15 Tea Break

10.40 Report of the Study (Study Team)

- Moderator** :
- Ir. H. M. Natsir Sibarani, MM
(Kabid Perencanaan Ekonomi & Keuangan,
Bappeda Prop. Sumatera Utara)
- Panelis** :
- Kadin : Bapak Ir. Joner Napitupulu
Pelindo : Bapak Hendro Swasono, SE
Dinas Perhubungan : Bapak S. Siahaan
- Presenter** :
- Team JICA

1.00 Panel Discussion

Expos Bapak Hendro (Pelindo) :

We apologize that our GM cannot attend this discussion because he has to follow central meeting. We are representing conventional port and also containers to participate in this event. First of all we are pleased to present a picture about Port of Belawan followed by some descriptions.

Expos Bapak S. Siahaan (Communication Agency) :

As which by our friend from PT. Port of Belawan, it is truly correct that Port of Belawan represents one of the economics gateways in North Sumatra Province having constraints as following :

1. Conservancy of path Port of that Belawan with its pool because Port of that Belawan reside in river estuary. At around year 2000 defrayal of the conservancy come from fund of APBN, but now defrayal of conservancy become responsibility of PT. Port of Belawan. The Defrayal very high its segmentation so that treatment at path and its pool require very high expense
2. Port of Belawan work 24 hour but not yet been supported by warehouse- warehouse outside Port of Belawan especially for the payload of import exporting
3. Besides Port of Belawan, [in] Prop. Sumatra have other port like : Port Of Confluence Foreland, Port Of Sibolga, Port of Basis Milk and Port Of Foreland Hall. Potency of Hinterland Port of

Belawan cover : Aceh, North Sumatra and of Riau.

Expos Mr. Joner Napitupulu (Kadin) :

I submit by virtue of observation about result of JICA study, since happened economic crisis of degradation of economic facet, employment in this case Indonesian chamber of commerce also involve in program governance of investment year cymbal in AFTA, WTO, Investment. Become conclusion of which can of identify the problem of biggest especially regarding the problem of rule of law and of SDM.

Some other identify show

1. Rule Of Law
2. Human resource
3. Taxation
4. Autonomous of area
5. Area permit
6. etc

Percentage which is 31 project in the first year 22 billion of is including Port of Belawan, Field toll of Binjai and of Kualo Namu.

But if concerning Road Show, how rule of law, procedure like sand palace. We hope many at government now because governance now very legitimist, because conducted by government now gets support fully from people because selected direct by people.

Converse about repair of economics not only is enough improve; repaired there, improve; repaired here because besides systems but also groove its procedure requires improving; repairing. And do meeting of this seminar enough just meeting here without there is result or do brought to Jakarta. We do not hope in such a way and comment too far to the effect that. Besides Indonesian chamber of commerce also publish licensing for example input - input publication of EDI which not yet is effective, because different in perspective probably.

At the time of hearing opinion among Indonesian chamber of commerce with member of DPRD also study matter like this time, besides also regarding the problem of service in port compared to time, exporting volume import as well as lifting the problem of infrastructure, service, bridge, toll that all need there isn't it. That way the forwarding of this this based observation eyeglasses.

Question And Answer

1. Mr. Supratekno, Customs (Breakdown of JICA and also Panelist of Belawan)

Seminar at this morning, earn I conclude to represent to hear result of Study JICA survey in Port of Foreland of Priok non Port of Belawan. Both condition of the port non differing but very-very far differ either from condition, activity activities that goes on between Port of Foreland of Priok with Port of Belawan. Goods import in Port of Foreland of Priok with Port of Belawan very far. Where comparison of document Port of Foreland of Priok more 1000 while Port of Belawan among 50 - 70,

automatically in Port of Belawan much more fluent from Foreland of Priok. And resistance or jam that happened will experience of difference also. Added again Port of Foreland of Priok where amount of bigger document than amount of personnel residing in field, compared to Port of Belawan.

Question :

1. Expected by Team Study JICA can give solution, about anticipatory us the happening of jam of exporting import current bothering the way execution of commerce current. And jam that happened port of container at part of which sector
2. At Evaluation of Team Study JICA Tax sector shown EDI not yet is fluent, so that need there is repair if it's true not yet fluent which shares not yet fluent because if seen from systems of EDI that fluent very-very and that thing earn to be measured from time inspection of document which at the most 1 hour even less than 30 minute. If the mentioned still told by delay, I wish to know its insufficiency situation, so that can bother commerce current.
3. Need goods current is realized in port entangle much related institution like Pelindo, even private sector. So that in this solution requires to be done by execution of service in one roof. How way out according to Team JICA pursuant to done survey in Bangkok, compared to Last Malaysia in Indonesia goodness evaluated from Systems, SDM, so that we earn comment difference of procedure going into effect. I am as Kakanwil Tax feel executed systems have good enough more than anything else if conversing about North Sumatra export there is commenting North Sumatra export commodity, where goods [do] not be checked by Tax so that, unknown do elephant its contents or tiger we do not know, and that thing is do still told by systems like that still pursue also I cannot comment it

1. Bapak Khairun (Gapensi & Kadin)

Gapensi and Indonesian Chamber Of Commerce Town Field represent port-service user, if is realized likely lose face because to change this condition need others or survey of study is not Indonesian nation child alone.

Question:

- Why the expense of cost port too is high compared to other nations
- Why Warehousing [in] airport of international do not be checked - Roadway facility do not be accommodated as transportation medium to truck.
- Roadway facility do not be accommodated as transportation medium to truck - container truck. And if paid attention in turnpike, we admit of to be met by there is trucks which have improper operated but still given by permit bring containers which of course can endanger to consumer of other roadway.

2. From Local Revenue Agency (Bapak Pasaribu)

We have heard what have been [submitted/sent] by on duty Pelindo and as well as on duty Communication. We are from on duty Earnings ask with activity of natural loading and unloading activities of contribution and improvement what passed to On Duty Earnings of North Sumatra Province.

Because earnings of the year of high and ever greater loading and unloading but channeled to

on duty Earnings of Area. Whereas earnings on duty Earnings of Area only coming area Lease, plantation (is not natural resources).

3. From Forestry Agency (Wood Export)

How us develop; build one perception to take care of properties of us start from investigator and or private sector and also related/relevant institution.

Hence as governmental organizer have to improve; repair so that woke up one perception which are positive making Indonesia become better again.

Jawaban :

1. Pelindo :

Reform Facility port of Belawan every year block in activity, all that accommodated by regulation - regulation from three goodness execution of warehouse and pour to run dry

2. Answer of Pelindo :

Activity of container payload mount and its contribution to On duty Earnings, require to be paid attention that Port of BUMN have many auditor, Internal BPKB, plan that all have got approval of Minister. And all that have to follow procedure going into effect, where contribution to On duty Earnings have as according to procedure order going into effect despitefully Pelindo have also fulfilled procedure like PBB, lease, giving UKM, Construct environment of LSM, development of religious service places which have been budgeted almost our 5 billion environment. That all have been budgeted, if there is outside which budgeted we need approval of minister. Because if us make budget out of it hence we [do] not follow existing procedure, so that the mentioned can generate unfavorable opportunities.

3. From Communication Agency :

Container which is improper still operate though have improper so that felt concerned about to generate accident of roadway. It is true requiring be paying attention and taking heed. And the mentioned often we see, what rarely eat victim. Sigh of our father submit to Mr. Silaen as Subdis. Which can made input to On duty Communication of Land specially. This matter I cannot comment due to that panelist from On Duty Communication Of Sea (Maritime).

4. From Mrs. Endang (Ekuin) :

It's True Mr. Alam Dipo have solid event, but nor leave event off hand because there is still its of him following this programmed of seminar so that submitted by inputs in event submitted to my head. Like Mr. Dipo tell its greeting that Japan assist slow but reality, but that aid cannot be given without there is doing study. Because conducted study of our country, forgiveness less can be trusted. But done by study this JICA is true really real that happened field, bitter it is true but condition the above is true we which must accept. The Study made JICA whereas newly survey in port of Foreland of Priok and of Sukarno Hatta. Inputs repair of that systems it is of course require to pass study. After study submitted later; then raise proposal, new can be done by training later; then suggestion they earn to be known. And its continuation do will in the form of loan not easily give loan. But slowly sure assist us, all that require inputs to make better Indonesia again.

13.00 Closing Seminar (Moderator)

As comments from panelist are less in the past few minutes. For that this programme of seminar need not be further lengthened and conclusion will to be delivered to Team JICA. Thanks to who continuously follow this event as well as thanks to panelist. Let us together give applause to panelist. If there is any deficits from me as a moderator, please accept my humble apologize. Officially close programme seminar on Trade Facilitation Reform. That's all and thank of wabillahi walhidayah taufik. Wr alaikum. Wb.

III. List of Participants to the Seminar

Based on the autograph at the registration desk, list of participants is prepared for record. Some key-note speakers and panelists in addition to counterpart officers and JICA study team members are excluded from this list.

List of participants to the seminar in Jakarta

| | Name | Affiliation (Gov.Office, Company, Association) |
|----|---------------------|--|
| 1 | Amanah.A | ADB |
| 2 | Harry budyanto | ADPEL Tg.PRIOK |
| 3 | Raldi | ADVIS |
| 4 | Endang wukirsari | ASDEP IV |
| 5 | Arifin habibie | ASDEP IV |
| 6 | Soelistyo | Asdep IV Menko Perekonomian |
| 7 | Quang anh le | ASEAN Secretariat |
| 8 | Catur putra budiman | BADAN KARANTINA PERTANIAN |
| 9 | M.yusuf | Bapeda DKI |
| 10 | M.yusuf | BAPEDA DKI |
| 11 | Noor arifin.M | BAPPENAS |
| 12 | Mardjoko | BKPM |
| 13 | Farah.R | BKPM |
| 14 | M.Nadjib | BKPM |
| 15 | Johny | BKPM |
| 16 | Shinoba Umeda | BKPM |
| 17 | Achmad kurniadi | BKPM |
| 18 | T.Otman rasyid | BKPM |
| 19 | Harmen.S | BPEN |
| 20 | Haryoto | BPEN |
| 21 | Frida adiati | BPEN |
| 22 | William syahrial | Conect tech |
| 23 | Permana agung | Dep.Keuangan |
| 24 | Djunaedi | Dep.Perdagangan |
| 25 | Nurul.AZ | Dep.Perhubungan |
| 26 | Dias.W.P | Dep.Perindag |
| 27 | Rina wahyu | Dephub |
| 28 | Jonter.s | DEPHUB/DARAT |
| 29 | Asianto | DEPLU |
| 30 | Maria.H | Deputi III Menko Ekon |
| 31 | Dipo Alam | Deputi IV Menko Perekonomian |
| 32 | Andreas anugerah | DFEI-DEPERINDAG |
| 33 | Heri kristiono | DGAC |
| 34 | Thomas sitorus | DGSC |
| 35 | Achmad | DIBO |

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|-----|----------------------|--------------------------------|
| 36 | Sandur.S | Dishub DKI |
| 37 | Gusri abdil | Dishubla |
| 38 | Estty.P.H | Dit Fasilitas Ditjen Bea Cukai |
| 39 | Wahyudi | Dit.Fasilitas EXIM |
| 40 | Tazwin hanif | Dit.PPM Deplu |
| 41 | Jody koesmendro | Ditjen |
| 42 | Heryawan HK | Ditjen HUBDAT |
| 43 | M.husni | Ditjen HUBDAT |
| 44 | H.Boedianto | Ditjen HUBLA |
| 45 | Suwandi | Ditjen HUBLA |
| 46 | Retno windari | Ditjen HUBLA |
| 47 | Adolf.R.tambunan | Ditjen HUBLA |
| 48 | Bambang priyono | DITJEN HUBLA |
| 49 | Paulus | DITJEN HUBLA |
| 50 | Adolf.r.tambunan | DITJEN HUBLA |
| 51 | Chairiyah chair | DITJEN HUBLA |
| 52 | Udiyanto | DITJEN HUBLA |
| 53 | Djoko.M | ditjen HUBUD |
| 54 | Lintong S.H | Ditjen IKAH Deperindag |
| 55 | Bambang tarsanto | Ditjen Keu ASEAN |
| 56 | Suwarni | Ditjen OTDA |
| 57 | Sihar.H.pohan | Ditjen PAN Dep.Perdagangan |
| 58 | Totok K.prabowo | Ditjen Penataan ruang DEP-PU |
| 59 | Hery.P | DJBC |
| 60 | I.A.Karim | DJBC |
| 61 | Ari setyo widodo | DJBC |
| 62 | Kukuh.S | DJBC |
| 63 | Chairiyah chair | DJPL-DEPHUB |
| 64 | Parlabutan silitonga | DPP GAFEKSI/INFA |
| 65 | Machdizar | DPP HIPPI Bid.perdagangan |
| 66 | Ellyza | EKUIN |
| 67 | Soedjarwo | FIWLOG |
| 68 | Mikradi | GPI Group |
| 69 | Bupiyanto | HUBLA |
| 70 | Kusumo | IJEC-KADIN |
| 71 | Robert.G | JICA |
| 72 | T.Yasuo | JICA (Dephub) |
| 73 | Jitsuya Haregawa | JICA Expert in DGCE |
| 74 | G.Funabashi | JICA Officer |
| 75 | Taro Ueno | JKS |
| 76 | Saroso | KADIN |
| 77 | Syahrial | KADIN |
| 78 | Saroso | KADIN |
| 79 | Sukma ningrum | Kemenko Perekonomian |
| 80 | Dwi Nita | Kemenko Perekonomian |
| 81 | Endang wukirsari | Kemenko Perekonomian |
| 82 | Dalle daniels | Kemenko Perekonomian |
| 83 | Abdul salam | MENKO PEREKONOMIAN |
| 84 | M.Reza.A,st | PELINDO II |
| 85 | Martogi.ms | PELINDO II |
| 86 | Putera Muliya | PELINDO II |
| 87 | Nofiftha rudyanto | PELINDO II |
| 88 | S.Amsar | Pemda DKI |
| 89 | Syafril bahri | PEMDA DKI |
| 90 | Bobby siagian | Perekonomian |
| 91 | Ade sudarsono | PERINDAG DKI |
| 92 | Mardiono | PT.BCS |
| 93 | Monica angela ramli | PT.Express container Ind |
| 94 | Adolf james simamora | PT.Indo Summit Logistics |
| 95 | Helida darnis | PT.Jakarta Maju Pusaka |
| 96 | Kaoni furkama | PT.Kaliguna Transindo |
| 97 | Achmad.S | PT.Kalisuma |
| 98 | Arief | PT.ORUM |
| 99 | Ngadino | PT.Puri Giri Sentosa |
| 100 | Ach.Asharijanto | PT.Ritra Cargo Ind |
| 101 | Indyah | PT.Selogiri Samputna Putra |
| 102 | Aswan .M.sitompul | PT.SUCOFINDO |

| | | |
|-----|------------------|---------------|
| 103 | Julie | PT.Sucofindo |
| 104 | Suryo sulistyono | RSI |
| 105 | Lidya.O | SUCOFINDO |
| 106 | Taro baklena | UN CAPSA |
| 107 | Tomohile sugino | UNESCAP CAPSA |
| 108 | Nahrudin alie | UNIDO |
| 109 | M.Edy yusuf | |
| 110 | Ivanto | |

List of participants to the seminar in Surabaya

| | NAMA | INSTANSI/KANTOR |
|----|------------------|-----------------------|
| 1 | Panji budiono | AEKI |
| 2 | Johan pam | AEKI (KULIT) |
| 3 | Cholis | AEKI JATIM |
| 4 | Tri prabowo | AIPMI JATIM |
| 5 | T.harun | APAMI |
| 6 | Nuril asrath | ARDIN JATIM |
| 7 | Sutan kasdilal | ARDIN JATIM |
| 8 | Ucik | ASEPHI |
| 9 | C.hilman saidi | ASMINDO |
| 10 | Handowo | BADAN PENANAMAN MODAL |
| 11 | Wartono | BALITBANG |
| 12 | Arthur.k | BANLO INDONESIA |
| 13 | Sri murniati | BANLO INDONESIA |
| 14 | Houday soegianto | BOGASARI |
| 15 | Takeo kitajima | BPM |
| 16 | Asiandos | BPPT |
| 17 | Dhudi t.wayan | DEPERINDAG JATIM |
| 18 | Wahid wahyudi | DISHUB JATIM |
| 19 | B.pohan | DISHUT JATIM |
| 20 | Wiwik | DISNAK PROP |
| 21 | Totok sudarto | DKP PROP |
| 22 | Marwan lintang | DOLOG JATIM |
| 23 | Pudjo | DPR |
| 24 | K.osumi | EJJC |
| 25 | T.sawadri | EJJC |
| 26 | A.zafrulloh | FE-UBAYA |
| 27 | Bambang trisilo | GINSI |
| 28 | Isdarmadi | GPEI |
| 29 | Miko.m.akbar | HIPMI |
| 30 | Nuvianto.w.sr | HIPMI |
| 31 | Agustinus | ITS |
| 32 | Kresnayana.w | ITS |
| 33 | Eddy piriu | KADIN |
| 34 | Rudhi.w | KADIN |
| 35 | Dr.hary soegiri | KADISHUB PROP JATIM |
| 36 | Heryanto | KAKANWIL BEA&CUKAI |
| 37 | Dahono | KAM-SAR |
| 38 | Lirwayan | KANWIL BC |
| 39 | Fxh.widodo | KPBC TANJUNG PERAK |
| 40 | Suroso | KPBC TANJUNG PERAK |
| 41 | Soetarjo | MASPION |
| 42 | S.kajita | MITSUBISHI CORP |
| 43 | Ika rahmita | P3ED JATIM |
| 44 | Saiful.j | P3ED JATIM |
| 45 | Herman halim | PERBANAS |
| 46 | Yusuf.d | PG |
| 47 | Kus indratmo | PT.AP I |
| 48 | Widya wiedagdo | PT.AP I |
| 49 | Wahid wahyudi | PT.ASEI |
| 50 | Djohan haryono | PT.GUDANG GARAM |
| 51 | Joni.s | PT.KEDAUNG SETIA |
| 52 | Ishaq.sp | PT.PELINDO III |
| 53 | S.nugroho.ch | PT.PETROKIMIA GRESIK |
| 54 | Abdul wasyi | PT.PUSRI |
| 55 | Eka mandaras | PT.PUSRI |

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|----|----------------|-------------------------------------|
| 56 | Djoko soedibyo | PT.SAYUR MAYUR IND (ASPRI/SANAN) |
| 57 | Charib bandar | PT.SEMEN GRESIK |
| 58 | M.shodiq | PT.SIER |
| 59 | Sufrin.h | PT.SUCOFINDO |
| 60 | Didik | PT.SURYA INTI PERMATA |
| 61 | Sukrin | PT.SWO |
| 62 | Edwin.s | PT.TJIWI KIMIA |
| 63 | Hartono | PTPN X |
| 64 | Ary widarto | PTPN XI |
| 65 | Danny warent | PTPN XV |
| 66 | Agung.p | PUSKUD MINA JATIM |
| 67 | Dahlan ihsan | PWU/JPG |
| 68 | John gozal | SEKAR GROUP |
| 69 | Candar | SUDRP |
| 70 | Dany pramono | SUDRP |
| 71 | Imron suprpto | SUDRP |
| 72 | Tjuk.ks | UN.AIRLANGGA |
| 73 | I.kaunang | |
| 74 | Kandar | |
| 75 | Moh.nuli | |
| 76 | Putut ajim | |
| 77 | Sardim | |

List of participants to the seminar in Makassar

| | NAME | COMPANY |
|----|------------------|----------------------------------|
| 1 | Hm.siddik | ADPEL MKS |
| 2 | Syahfir.k | BAPPEDA |
| 3 | Eumar | BAPPEDA |
| 4 | Anto tri | BAPPEDA I |
| 5 | A.harmoni | BAPPEDA PROP |
| 6 | Anas dahlan | BAPPEDA PROP SULSEL |
| 7 | M.Asnam | BAPPEDA PROP SULSEL |
| 8 | M.rahmat ibrahim | BKPD |
| 9 | Ecky marjuli | CV.SUMBER LAUT |
| 10 | R.I.M.susilo | dewan forum komunikasi pengusaha |
| 11 | Hadi basalamah | DINAS PERINDAG |
| 12 | Hasan.M | DINAS PERINDAG |
| 13 | Chairil S | DINAS PERINDAG SULSEL |
| 14 | H.Bachrun .AP | DISHUB PROP SULSEL |
| 15 | H.jala sewi | FAJAR MAS |
| 16 | H.Mansyur | GAFEKSI/INFA |
| 17 | Malik | HUMAS PEMPROP |
| 18 | Watanabe | JAPANESE CONSULTANT |
| 19 | T.nagaya | JICA STUDY TEAM |
| 20 | A.sato | JICA TEAM |
| 21 | N.yamakawa | JICA TEAM |
| 22 | K.uezumi | JICA TEAM |
| 23 | K.kojima | JICA TEAM |
| 24 | H.uematsu | JICA TEAM |
| 25 | Adriyadi | KADIN/PT.SITTO MAS |
| 26 | Djunaedy | KANWIL BEA&CUKAI |
| 27 | Endang wukirsari | KEMENKO PEREKONOMIAN |
| 28 | Nurmilah | KKN PROFESI UNHAS |
| 29 | Darling | KKN PROFESI UNHAS |
| 30 | Wahyuli | KKN PROFESI UNHAS |
| 31 | Ridwa | KKN PROFESI UNHAS |
| 32 | Ayatullah | KOPEL SULAWESI |
| 33 | Sudi raharjo | KPBC |
| 34 | Arifin habibie | MENKO PEREKONOMIAN |
| 35 | H.Retno | P3ED MKS |
| 36 | Hanny | P3ED MKS |
| 37 | Wasis | PELINDO IV |
| 38 | H.bakhtiar karim | PEMDA GOWA |
| 39 | Fienti | PT.ANEKA BUMI KENCANA |
| 40 | Surachman said | PT.BANTIMURUNG INDAH |

| | | |
|----|------------------|-----------------------------|
| 41 | Hendru | PT.COMPAENY MAYORA |
| 42 | Taufiq arsyad | PT.EFFEM INDONESIA |
| 43 | Moh.taslim | PT.EFFEM INDONESIA |
| 44 | M.Rasjidin suaib | PT.IRMASULINDO |
| 45 | Bayuardi | PT.MAKASAR MITRA USAHA |
| 46 | Hendra.s | PT.MEGAH PUTRA |
| 47 | H.matsukuma | PT.MITRA KARTIKA SEJATI |
| 48 | H.A.Rachman | PT.MULTI MONODON INDONESIA |
| 49 | Max.kl | PT.PELINDO IV |
| 50 | P.pangabean | PT.PERIKANAN SAMUDERA BESAR |
| 51 | Ahmad susanto | PT.RANTE MARIO |
| 52 | H.Kandar | PT.RIZKY |
| 53 | Husan dahong | PT.ROTAN MAHARU JAYA |
| 54 | Amida.T | PT.SEKISTIN FAINA WOOD IND |
| 55 | Jony | PT.SOUTH SUCO |
| 56 | Adi | PT.SURYA GITA CARGO |
| 57 | Nani | PT.TOMEXTRA MAYORA |
| 58 | Roy | TIBAR TIMUR |
| 59 | Burhamzah | UNHAS |
| 60 | Prof.dr.halide | UNHAS |
| 61 | Asnia | UNHAS |
| 62 | Sulton | |
| 63 | Tisa.r | |
| 64 | Harapan utama | |
| 65 | Iirma.s | |
| 66 | Karya baru | |
| 67 | Fajar harapan | |
| 68 | Citra sulawesi | |
| 69 | Agun & jaya | |
| 70 | Moh.Mukti.R | |

List of participants to the seminar in Medan

| | Name | Company |
|----|-----------------------|-----------------------------|
| 1 | Ir.Tohar Suharto | AKLI -SU |
| 2 | N.S.Lois | Apkomindo SUMUT |
| 3 | Ir.V.Anta Siagian | APTEK |
| 4 | Togar Simatupang | Badan Inpohon Prop-SU |
| 5 | Dahler Lubis | Badan Ketahanan Pangan |
| 6 | Gandi Tambunan | BAINPROM |
| 7 | Idham Tanjung.S | BAINPROM-SU |
| 8 | M.Ines | BAINPROM-SU |
| 9 | H.Yusdan | BAPEDALDASU |
| 10 | Ir.Eric arvan.mm | Bappeda Prop.SU |
| 11 | M.Natsir.S | BAPPEDA-SU |
| 12 | Yanto | BAWASDA Prop |
| 13 | Suwalingga | Bea Cukai |
| 14 | Syamsul B.Ritonga | Biro Bina Sodil |
| 15 | Syahrul.M.Harahap | Biro ORTALA SETDOPROP-SU |
| 16 | Bungaran.S | Biro OTDA |
| 17 | Zainuddin | Biro Pembangunan |
| 18 | Dra.Hj.Enny nuraeni | Biro Pemberdayaan Perempuan |
| 19 | R.Sabrina | Biro PP Setda Prop-SU |
| 20 | Nursial | Biro Umum |
| 21 | Sukardi | BPS PROP-SU |
| 22 | K.Yago | CV.DIO |
| 23 | Rura.S.Ginting | Dinas Kehutanan Prop-SU |
| 24 | Syahrir Awan | Dinas Pengairan Prop-SU |
| 25 | Nasrudin.S | Dinas Perikanan |
| 26 | T.Arman SH | Dinas Perindag-SU |
| 27 | T.Zulhar | Dinas Perindag-SU |
| 28 | Sabri | Dinas Pertambangan |
| 29 | Sri wahyuni putri | Dinas Pertanian Prop SU |
| 30 | Sudarno | DISBUDPAR-SU |
| 31 | Subakti | DISBUN-SU |
| 32 | S.Siahaan | DISHUB Prop-SU |
| 33 | Landriana Naibaho MSc | DISKANLU Prop-SU |

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|----|----------------------|----------------------------------|
| 34 | Sibarani | DISPORA |
| 35 | Rusman | DPD REI-SU |
| 36 | Khairul Mahalli | DPW GAFEKSI SU-Kadin Medan |
| 37 | P.Marpaung | DRD-SU |
| 38 | Guntur Manurung | GAKESLAB-SU |
| 39 | Rudjito | GAPPI SUMUT |
| 40 | Chairil Aly | GIMSI |
| 41 | Yanuar Mahdi | INKINDO |
| 42 | Minagawa | JICA Expert in Medan |
| 43 | Budi | Ka BAPPEDA |
| 44 | Hariril W | Kabag Pemda SUMUT |
| 45 | Syarifullah | KABALITBANG-SU |
| 46 | Diaz Wasdianto.WK | KADIN SUMUT |
| 47 | Jonner Napitupulu | KADIN-SU |
| 48 | A.Azis Z.Gumay | Kadis NakerTrans Prop-SU |
| 49 | Ferry | KadisBud Prop-SU |
| 50 | Martin.I | Kasubsidi Wasdal Pertanian Baimp |
| 51 | Endang Wukirsari | Kemenko Perekonomian |
| 52 | Linda Ningsih | Kesbang Linmas Prop-SU |
| 53 | Harrison Law | Ketua.G.P.Farmasi SUMUT |
| 54 | Safrial | MTPK Belawan |
| 55 | Muradi | Pel Belawan |
| 56 | Basuki Widodo | Pelabuhan Belawan |
| 57 | Rudi susanto | PELINDO Belawan |
| 58 | Henry Naldi | PELINDO I |
| 59 | M.Mungew | Pemda Prop-SU |
| 60 | TM.Sitepu | PO |
| 61 | Yushiro Noji | PT.SOCI |
| 62 | Hervian.T | REI SUMUT |
| 63 | Abd.Gani Lubis | RO PEMPROP |
| 64 | M.Nasir Bsc | RO.Pemerintahan |
| 65 | Hamdan | RO.Perengkapan |
| 66 | I Wayan wirawan | Terminal peti kemas |
| 67 | Ike & Tunggul sihite | TVRI SUMUT |
| 68 | Tunggul.S | TVRI SUMUT |
| 69 | Praptono | UTPK Belawan |
| 70 | Ir.Roslila Sitompul | |
| 71 | Dj.Pasaribu | |

IV. Photo Record

Makassar (2005 2.1)



Makassar (2005 2.1)



Surabaya (2005 2.3)



Surabaya (2005 2.3)



Jakarta (2005 2. 8)



Jakarta (2005 2. 8)



Medan (2005 2. 15)



Medan (2005 2. 15)

