

# Budget set to win people's hearts

Prima Wirayani and Marchio Irfan Gorbiano  
THE JAKARTA POST/JAKARTA

As President Joko "Jokowi" Widodo approaches the final two years of his term, his administration will attempt to convince voters that it is worthwhile to reelect him as it puts forward a populist theme in its 2018 state budget bill, which has been passed.

Nine of 10 factions at the House of Representatives approved the bill, which bears the title "Consolidating Fiscal Management to Accelerate Just Growth," during a plenary session held on Wednesday after weeks of deliberation.

The budget promises higher economic growth at 5.4 percent next year compared to 5.2 percent targeted in 2017, with ambitions to alleviate poverty, reduce the economic gap and create more jobs, according to Finance Minister Sri Mulyani Indrawati in her speech at the plenary session.

Eva Kusuma Sundari, a lawmaker from the Indonesian Democratic Party of Struggle (PDI-P), acknowledged in August that the 2018 budget was crucial for her party and Jokowi to secure reelection in 2019 when his five-year term ended.

Some experts, however, suspect that the calls to focus on the poor next year are merely lip service in order to secure votes as Indonesia will hold simultaneous regional elections in 2018 as well as legislative and presidential elections the following year.

"We were concerned that the government's focus would be split into political matters," said Bank Central Asia (BCA) economist David Sumual recently. "Reforms usually occur in the first two years [...] and a government would be more populist in the fourth year."

Although total subsidies will decrease to Rp 156.2 trillion (US\$11.5 billion) next year from Rp 168.9 trillion in 2017, fuel prices might be stable despite predictions of rising global oil prices as the government prepares to allocate energy subsidies 5 percent higher than the Rp 89.9 trillion set this year.

The government also plans to spend Rp 283.7 trillion, 12.8 percent of its total expenditure next year, on welfare programs, such as Jokowi's much-touted Family Hope Program (PKH), in a bid to alleviate poverty and support low-income people.

The Social Affairs Ministry, which is responsible for most social assistance programs, will get allocations 21.4 percent higher than the Rp 34 trillion set previously in the draft budget, which would make the ministry the sixth-biggest receiver of state funds next year among its peers.

Institute for Development of Economics and Finance (Indef) economist Eko Listyanto expressed similar views, citing data showing that social aid funds always increased significantly anytime an incumbent sought

2018 state budget posture (in trillions of rupiah)

Items	2018		2017 revised state budget
	Proposed state budget	Approved state budget	
• State revenue	1,878.4	-1,894.7	1,735.1
- Taxation	1,609.3	1,618	1,472.7
- Non-tax revenue	267.8	275.4	260.2
• State expenditure	2,204.3	2,220.6	2,133.3
- Central government spending	1,443.2	1,454.4	1,367
1. Ministries and govt institutions	814	839.5	798.6
2. Subsidies for fuel and LPG	51.1	46.8	44.5
3. Subsidies for electricity	52.2	47.6	45.4
- Regional transfer and village funds	761	766.1	766.3
• Budget financing	325.9	325.9	397.2
- Debt financing	399.2	399.2	461.3
• Budget deficit	(325.9)	(325.9)	(397.2)
% of deficit to gross domestic product	2.19 (%)	2.19 (%)	2.92 (%)

Source: Finance Ministry

2018 budget crucial for Jokowi ahead of elections in 2019

Populist economic policy no issue if state budget used for people's welfare: Finance Minister

reelection.

Social aid increased to Rp 73.6 trillion in 2009, when then president Susilo Bambang Yudhoyono campaigned for his second term, from Rp 57.7 trillion a year earlier.

The amount also increased to Rp 96.6 trillion in 2014 from Rp 92.1 trillion in 2013 as Yudhoyono's administration attempted to boost its decreasing popularity as Jokowi joined the campaign trail.

Confronted with such concerns, Sri Mulyani said the state budget was a tool by the government to improve people's welfare and that, while it could be seen as a populist measure, it could be interpreted in other ways as well.

Improving the economy for low-income people, she argued, was always the theme of Jokowi's administration.

"Let us put the President's focus back in its place — he aims to create equal development and work for the people's welfare as shown in the government's wish to build the country from the outskirts," Sri Mulyani told a press conference on Wednesday.

"It was a populist policy, but that's the obligation of an elected regime. It is OK as long as the regime uses prudent and sustainable instruments."

She said the government made improvements in subsidy allocation by changing its disbursement approach from cash-based to non-cash assistance to reach the poor effectively, a process that also linked village funds to small and medium enterprises (SMEs), allowing the SMEs to directly help develop villages.

# RI may offer new railway project to China

**Farida Susanty**  
THE JAKARTA POST/JAKARTA

Indonesia may offer China a project to construct an extended railway connecting Jakarta and West Java in a move that will allow the latter to tighten its grip on the former's infrastructure development.

PT Kereta Cepat Indonesia China (KCIC), a joint venture between an Indonesian consortium and a Chinese consortium, is preparing for the construction of 142-kilometer high-speed railway linking Jakarta and West Java's capital Bandung. The project is estimated to cost US\$5.9 billion and will largely be funded by a loan from the Chinese Development Bank (CDB).

Even though President Joko "Jokowi" Widodo previously expressed his concerns over risks

Extended railway to span 80 km

Railway to ease travelers' mobility between Soekarno-Hatta, Kertajati International Airports

involved in the Jakarta-Bandung railway project, the latest Cabinet meeting discussed the possibility of extending the route from Tegalluar in Bandung regency, to Kertajati, Majalengka regency, West Java, where the Kertajati International Airport is located.

The plan is part of the government's goal to establish a transportation network between Jakarta and West Java by 2045.

Transportation Minister Budi Karya Sumadi said the government would likely ask China to take on the new project.

"It should be like that," he said in reference to an offer to China. "If a private investor is already willing, why should we try to pull in [another investor]?"

The Bandung-Jakarta railway will pass through four stations located in Walini in West Bandung regency, Tegalluar in Bandung regency, Karawang regency and Halim in East Jakarta.

"The distance [between Kertajati and Tegalluar] will be around 80 km, and with a speed of 200 km, [the trip] would take half an hour. That's perfect," Budi said.

The government is also considering plans to connect Kertajati International Airport with Soekarno-Hatta International Airport in Cengkareng, West Jakarta, through a high-speed railway or light rail transit (LRT) via Halim, East Jakarta.

The route would allow travel-

ers to move from one airport to another with ease, and give them greater freedom in choosing their points of arrival and departure.

Located some 200 km southeast of Jakarta, Kertajati International Airport is slated to commence operation next year and become one of the country's departure points for haj pilgrims.

It is intended to ease aircraft and passenger congestion at Soekarno-Hatta as well as Husein Sastranegara International Airport in Bandung. In the first phase of its operation, the airport is expected to welcome between 5 million and 11 million passengers annually.

Budi reiterated that construction of the Bandung-Jakarta railway would begin soon.

The project, the groundbreaking of which took place last year, has been plagued by financial and land procurement problems. So

far, it has only secured 53 percent of around 600 hectares of land needed.

The slow progress has also been attributed to the CDB's refusal to disburse \$4.5 billion earlier this year.

The project was initially estimated to cost \$5.1 billion, but the figure soared to \$5.9 billion because of various technicalities and may potentially surge by another 30 percent due to technical measures necessary to cushion the facility from earthquakes.

Jokowi previously questioned whether transit oriented developments (TOD) located along the Bandung-Jakarta route would bring in enough revenue to help fund the railway, and reportedly asked the Indonesian consortium to reduce its current controlling 60 percent share in KCIC to merely 10 percent.

However, Budi assured that the Indonesian share would remain as it was, and the cost of the project would be unchanged.

Meanwhile, a Bandung administration official recently stated that Japan would likely be involved in extending the Jakarta-Bandung railway.

However, the Japanese Embassy's deputy chief of mission, Kozo Honsei, said that the Indonesian government had yet to officially request Japan's participation in the project.

"For the time being, I haven't discussed the connectivity of Kertajati Airport with the Indonesian government," he said.

Japan would still focus on the construction of Patimban port in West Java and the revitalization of a railway linking Jakarta and East Java's capital Surabaya, Honsei added.

## LOGISTICS

## Pelindo II eyes expansion in cargo services, new ports

**Rachmadea Aisyah**

THE JAKARTA POST/ BANDUNG

State-owned port operator PT Pelindo II has mapped out a strategy to expand its services and reduce logistics costs by as much as 20 percent.

Pelindo II president director Elvyn G. Masassya said the company would construct new ports, work on direct routes to European and American ports and develop facilities for cargo ships.

"For the past two years, we have set a goal to become a world-class operator by 2020. It does not mean that we will expand our services to foreign ports but rather we would run our ports according to international standards," he said on Tuesday.

As of October, the operator had several projects lined up, such as Kijing Port in West Kalimantan, which has Rp 5.2 trillion

(US\$384.24 million) in investments and is slated for groundbreaking in December, and the Rp 2.4-trillion Sorong-Seget Port in West Papua, the construction of which will start in 2018.

Pelindo also planned to further expand its services at Tanjung Priok Port, where it will soon build an inland waterway to Cikarang industrial park in West Java that costs Rp 3.4 trillion, and two new container terminals with investments totaling Rp 14 trillion.

Its flagship project, however, is Patimban Port in West Java. Its first phase of construction will start next year and cost Rp 20 trillion. "The government has accepted our proposal to operate the port, so we have paid Rp 2 trillion, 10 percent of the total investment," Elvyn said.

Furthermore, Pelindo II has readied Tanjung Priok Port to

receive ships above 10,000 twenty-foot equivalent units (TEUs) that can ship directly from Jakarta to Los Angeles. "We will also soon open the new Southeast Asia-Northern Europe [SE-ANE] route, which goes straight from Jakarta to Rotterdam in the Netherlands," he added.

Pelindo II has also developed a container freight station (CFS) that offers complete online services and a commercial buffer area for queuing cargo ships.

Elvyn said the company implemented in September a digital, integrated port network for all 12 of its ports, allowing port users to request services online without using cash.

"We hope these innovations push down logistics costs by 20 percent," he said, adding that, with all the developments, Pelindo II was optimistic about increasing revenue in 2018 to Rp

11.5 trillion, up from this year's target of Rp 10.5 trillion.

Pelindo II senior vice president of operations, David P. Sirait, said the company provided Rp 1 trillion to develop its digital system until 2020. "There will be three sides to this digital port development: the maritime aspect, terminals and other supporting development," he said.

Meanwhile, in the third quarter of 2017, the company recorded an 8.4-percent profit increase to Rp 1.55 trillion, up from Rp 1.43 trillion recorded in the same period last year. Its revenue also grew by 19.6 percent to Rp 7.62 trillion from 6.37 trillion in the same period of 2016.

The company expressed optimism over its ability to meet its annual revenue target, even though up to September it earned Rp 7.62 trillion, 61 percent of the target.

JAKARTA

# Jokowi, Anies discuss Asian Games

Anton Hermansyah

THE JAKARTA POST/JAKARTA

President Joko "Jokowi" Widodo urged Jakarta Governor Anies Baswedan on Wednesday to accelerate infrastructure projects in the capital to be able to provide world-class facilities for international athletes and guests at next year's Asian Games, to be cohosted by Jakarta and Palembang, South Sumatra.

In their first official meeting since Anies' inauguration, the governor's insistence on stopping the reclamation project in Jakarta Bay, which, it was thought, would be discussed, was not brought up.

Instead, the President directed Anies, who was accompanied by Deputy Governor Sandiaga Uno, to prioritize the MRT and light-rail transit (LRT) construction, as well as the revamping of the city's sidewalks, all of which are being pushed forward ahead of the largest sports event in Asia.

Anies said the President was very detailed in analyzing the plans, from the sidewalks to the construction of a multimodal transportation hub in Dukuh Atas, South Jakarta.

"The President wants Jakarta to provide a world-class experience during the Asian Games," he told journalists after the meeting.

Sandiaga said the President also instructed the city administration to build green parks so the athletes, spectators and tourists could enjoy Jakarta during the Games.

Transportation Minister Budi Karya Sumadi, who also attended the meeting, said the government had drafted a plan to connect an LRT route linking Kelapa Gading-Velodrome in North Jakarta with Dukuh Atas Station.

"We want to connect the Kelapa Gading-Velodrome LRT to Dukuh Atas Station to maximize passenger numbers," he said.

In the master plan, Dukuh Atas Station will become a multimodal transportation hub where passengers can change from the airport train, the Transjakarta bus-rapid transit, the LRT and the MRT. PT Mass Rapid Transit Jakarta (MRT Jakarta) will develop the integrated station.

Other than the Asian Games-related projects, Jokowi and Anies, who previously served as

education and culture minister in Jokowi's Cabinet, also discussed the renovation of slum areas and the Ciliwung River restoration.

Serving as the city governor for two years before winning the presidential election in 2014, Jokowi reminded Anies that there were 220 community units (RW) in Jakarta categorized as slum areas.

Anies said he had his own methods in renovating the slum areas. "Renovating slum areas does not mean clearing the area. We will only remove the 'slum-ness' and the villages can still exist," he said.

He added that the Jakarta administration would build vertical housing to solve the problem of a lack of land and he promised not to evict communities.

Having been ousted from Jokowi's Cabinet, Anies secured a ticket from the Gerindra Party and the Prosperous Justice Party (PKS) to run in the gubernatorial election earlier this year.

He challenged then governor Basuki "Ahok" Tjahaja Purnama, a reformist icon and an ally of Jokowi. Ahok controversially evicted people from slum areas on river banks to restore the wa-

terways and prevent flooding. Ahok also supported the reclamation project in Jakarta Bay.

Anies successfully built his campaign on attacking Ahok's policies.

Sandiaga said Jokowi had given an example of slum-area renovation in Toa Payoh, Bishan and Ang Mo Kio areas in Singapore.

"The President told the story about his visit to Singapore. In Toa Payoh, Bishan and Ang Mo Kio the redevelopment used cluster systems and transit-oriented development," he said.

Anies said he followed the President's lead in the meeting.

"No talk about reclamation. We just followed the President's topics," he said.

Anies and Sandiaga rode together in the city's official Lexus LX to the State Palace. They arrived at 11 a.m. and finished up just over an hour later.

Although the meeting finished in time for lunch, the senior elected officials did not eat together.

Anies said he consumed nothing other than tea during his time at the palace.

"I am on a diet," he said.

MASS ORGANIZATIONS

# Rights groups look to MK in challenging Ormas Law

Marguerite Afra Sapiie  
and Margareth S. Aritonang

THE JAKARTA POST/JAKARTA

A coalition of more than 25 human rights groups plan to file a judicial review with the Constitutional Court (MK) challenging the new Mass Organizations (Ormas) law, which was officially passed on Tuesday from its previous status as a regulation in lieu of law (Perppu).

They argued that the new law — which allows the government to disband any group it deems to be anti-Pancasila without a judicial process — was a democratic setback that threatened freedom of speech and the right to assemble.

Muhammad Isnur from the Indonesian Legal Aid Foundation (YLBHI), one of the coalition members, said that the 25 rights groups are now preparing their case and would likely lodge the petition as soon as possible, despite a promise made by the House of Representative and the government to revise the new law and include a court approval in disbanding such groups.

"We feel that the House does not truly represent public interests [when endorsing the Perppu] and it has failed to protect the rights of the people," Isnur said on Wednesday.

The deliberation of the Perppu was made amid an ongoing judi-

cial review case against it at the Constitutional Court, which was filed by eight petitioners — most of whom represent Islam-based mass organizations, including the now-defunct Hizbut Tahrir Indonesia (HTI).

The eight petitioners, however, no longer have an object of dispute as the House legislated the Perppu into the new law.

"If a Perppu [disputed at the court] has been passed into law, the judicial review case loses its object of dispute," Constitutional Court spokesperson Fajar Laksono said on Wednesday.

"If anyone wants to challenge provisions in the Perppu, they could lodge a new judicial review request against the [new mass organization] law."

Ismail Yusanto, a former member of the hard-line HTI, said some of his former colleagues plan to lodge another judicial review in the near future.

The HTI, which campaigned for the establishment of an Islamic caliphate in Indonesia, was the first group to be disbanded under the Perppu.

The House deliberated the Perppu in a vote on Tuesday, during which seven factions of the total 10 voiced their approval of it, on the grounds that it was necessary to protect the state ideology of Pancasila.

Various political factions at the House are now set to propose

a draft bill in order to ensure the government complies with its promise to revise the Perppu and include the approval of a court in the disbandment process.

As of Wednesday, the initiative to formulate the bill came from both parties backing the Perppu — the National Awakening Party (PKB) and the United Development Party (PPP) — and those voted in favor of the government, like the National Mandate Party (PAN) and the Prosperous Justice Party (PPP).

"We have consulted the matter with experts who have expressed willingness to formulate a draft of academic arguments for the bill," said lawmaker Ida Fauziah, who chairs the PKB faction.

The Islam-based PKB was one of three parties that required the government to revise the new Ormas law as a condition to their approval. The two others are the PPP and the Democratic Party.

In an effort to ensure that the amendment plan stays on track, the House's Legislative Body (Baleg) is also set to include it in next year's list of priority bills.

"We have made room in the list of next year's Prolegnas [National Legislation Program] for a revision of the mass organization law," said Baleg member Hendrawan Supratikno of the ruling Indonesian Democratic Party of Struggle (PDI-P), one of the Perppu's biggest proponents.

# New parties join political fray for legislative race

Nurul Fitri Ramadhani  
and Safrin La Batu

THE JAKARTA POST/JAKARTA

The public may see four political newcomers enter the upcoming legislative election, if these new lesser-known parties manage to pass the factual verification, known as the strictest phase of the selection process, to compete in the 2019 legislative election.

The four new players — the Berkarya Party, the Garuda Party, the United Indonesia Party (Perindo) and the Indonesian Solidarity Party (PSI) — are among 14 parties declared to have submitted the adequate documents as part of the ongoing administrative review by the General Elections Commission (KPU).

The four new parties along with the 10 other political parties, which currently control seats in the House of Representatives, will now undergo an administrative review to determine whether or not they can enter the factual verification stage early next year.

The patron of Berkarya is Tommy Soeharto, the youngest son of former president Soeharto, Indonesia's longest serving ruler and leader of the authoritarian New Order regime.

Back in 2016 when the party was established, Berkarya was reportedly not well received by the Golkar Party, the country's oldest political party and main supporter of president Soeharto. Berkarya's decision to use the banyan tree as its symbol, the same symbol used by Golkar, was seen as an attempt to copy the latter's values and vision.

Berkarya chairwoman Neneng A. Tutty said that, besides Tommy, other notable figures within the party included former coordinating political, legal and security affairs minister Tedjo Edhy Purdijatno and former Aceh governor Abdullah Puteh.

Neneng said Soeharto had left behind a legacy of "social economy" for Indonesia after he stepped down from the presidency, and that Tommy wanted to continue to build the country's economy based on that legacy.

"The party also wants to help strengthen the cultural and religious aspects of society," Neneng said.

While Berkarya is in the hands of people with records in politics and the bureaucracy, the little-known newcomer Garuda, meanwhile, has said it offered an image of fresh faces running a new party that aimed to woo young and millennial voters.

"We in Garuda are a group of young people who dream of building Indonesia into a much better [nation]," Garuda chairman Ahmad Ridha Sabana said recently.

However, despite its claims, little is known about Garuda, other than that it includes Abdullah Mansuri, the chairman of the Indonesian Association of Traditional Market Traders (IKAPPD), as its secretary general and Ahmad, a former president director of Indonesia Education Television (TPI).

Another newcomer is PSI, which aims to bring young people into politics. Many of its members are relatively young and familiar in the entertainment industry, for instance, the vocalist of pop band Nidji, Giring Ganesha, who has decided to run in the legislative contest.

Founded after the 2014 presidential election and led by former journalist and television presenter Grace Natalie, PSI offers a platform based on pluralism and diversity.

Perindo, on the other hand, is led by media mogul-cum-politician Hary Tanoesoedibjo, who is not a new player in politics.

Before becoming a political party, Perindo was a mass organization founded by Hary following his departure from the NasDem Party over a disagreement with party founder Surya Paloh, who went on to take over the party leadership in 2013.

Hary, who controls the Media Nusantara Citra (MNC) group, once joined the Hanura Party and was Wiranto's running mate in the 2014 presidential election.

Election watchdog Association for Elections and Democracy (Perludem) executive director Titi Anggraini said the new parties had the same opportunities as the long-established parties but that it would not be easy for these newcomers to compete with parties currently in power.

## TRADE DIPLOMACY

# Kadin sets up office in EU to boost trade

Stefani Ribka

THE JAKARTA POST/JAKARTA

The Indonesian Chamber of Commerce and Industry (Kadin) has established a representative office in Brussels, Belgium, to push for European-Indonesian business partnerships and analyze potential markets in Europe to boost trade.

Its presence is also expected to bode well for smooth implementation of the Indonesia-European Union Comprehensive Economic Partnership Agreement (IEU-CEPA) targeted for conclusion next year.

"The office has two main functions: first, [...] we'd like to see more business partnerships with them [European businesspeople]. And second, to [support] IEU-CEPA negotiations because we anticipate seeing a lot of real sector aspects in the field," Kadin vice chairman Shinta Kamdani told a limited media meeting on Wednesday after Kadin's recent

work visits to Europe and the United States.

The office in Brussels — the legislative city of the European Union — was established in the form of the Business Support Desk (Kadin-BSD), a one-stop information center for both Indonesian and European businesspeople, and is a separate body from the state's trade attaché.

Shinta stressed that Indonesia needed to have more partnerships or joint ventures with European business entities and not merely campaign to have them establish their own firms in Jakarta.

The office would also help Kadin engage with European institutions and governments to create fair policies under the upcoming IEU-CEPA. Kadin and the Indonesian Employers Association (Apindo) had compiled IEU-CEPA recommendations in a book and handed it over to European Commission vice president Andrus Ansip during Kadin's

visit to Brussels on Oct. 9.

The book aims to educate the EU about the conditions Indonesia outlined during CEPA negotiations. Improved investment procedures for textiles and textile products is included in the recommendations as Indonesian local garment players are worried that EU investors might invest in Bangladesh, Ethiopia and Vietnam instead of Indonesia.

EU investments in Indonesia are relatively low, reaching €25 billion (US\$29.4 billion) as of May, 15 percent of the bloc's overall investment in ASEAN, according to data from the EU Delegation to Indonesia and Brunei Darussalam.

The government, acknowledging that regulation uncertainties scared off investors, looks to establish a task force in every industrial estate to ensure investments go smoothly. The task forces are expected to start operating in March next year.

According to Kadin, European

investments should be listed as a priority target, despite its limited value compared to those from other countries, because the EU's expertise in advanced technology could be transferred to Indonesia.

"We knew big investment in Indonesia was dominated by China, Japan and South Korea [...] but European countries were good with their niche technology," Shinta said.

Separately, the Trade Ministry's international trade negotiations director general, Iman Pambagyo, said he was optimistic about concluding IEU-CEPA next year as scheduled. "We're optimistic about it, but we need to settle some internal challenges," he said in a text message, refusing to elaborate on the "challenges" he mentioned.

Total trade between EU and Indonesia settled at \$25.1 billion last year, much lower than the bloc's trade with Vietnam at \$53.6 billion in 2016, according to data from Trade Map.

COAL

## Resource Alam Indonesia to boost output

Wimpy Tang

THE JAKARTA POST/ JAKARTA

As coal prices rebound, publicly listed coal miner Resource Alam Indonesia has set an aggressive production target for 2018 as it aims to invest in more machineries and accelerate overburden removal to boost production.

The company expects to ramp up its production capacity next year to a target of 3.5 million metric tons (MT), from a forecasted full-year production of 2 million MT in 2017.

"In order to achieve our target, we will invest in machineries and develop a blasting warehouse, so the [mining] process can be more effective," Wimpi Salim, Resource Alam business development director, said on Tuesday.

The company plans to build

a blasting warehouse at its mining site in Loa Janan, East Kalimantan, to help accelerate production. It has set aside US\$1.5 million for capital expenditure next year to buy heavy machineries, repair equipment and develop infrastructure, said Resource Alam finance director Agoes Soegiarto Soeparman.

As of this year's third quarter, the firm's coal production reached 1.28 million MT, far below its initial target of 4.5 million MT, due to heavy rainfall occurring almost every month since the beginning of the year. It is also facing several issues related to its subcontractors.

"Some of our subcontractors were too aggressive. They invested heavily in other mining sites, so when the coal prices dropped, they collapsed. This has affected our pro-

duction as well," Wimpi explained.

However, the company's performance has been supported by a rising trend in coal prices. The Asian benchmark coal price, Newcastle thermal coal, reached its highest point at \$103.50 per ton in mid-September, after hovering at an average of \$86.60 per ton in the first semester.

With the surge in coal prices, the company plans to increase its stripping ratio — the proportion of waste material that must be removed to extract coal — in order to maximize its coal reserves.

Even so, the miner saw its revenue plummet by 25.27 percent to \$53.86 million in the first nine months of this year from \$72.45 million in the same period last year, mainly due to a plunging sales volume. However, it managed to book a net profit of \$8.1

million in the January-September period, a 13.63 percent rise from \$7.19 million last year.

Resource Alam owns concession areas with a coal contract of work and mining permit licenses through its subsidiaries — comprising PT Insani Baraperkasa in East Kalimantan, PT Loa Haur in Central Kalimantan and PT Kaltim Mineral in East Kalimantan.

South Korea is now its main export destination, with a total sales volume of 46 percent as of the third quarter, followed by China with 19 percent and Thailand with 9 percent, among others.

Aside from coal, the company continues to diversify its business by developing a hydroelectric power plant with a capacity of 6.4 megawatts in Cicitih, West Java. Construction is expected to finish next year.



## AVIATION

# Garuda to cut losses through efficiency measures

**Farida Susanty**

THE JAKARTA POST/JAKARTA

National flag carrier Garuda Indonesia seeks to push for a number of efficiency measures until the end of this year to counter its widening losses.

The state-owned airline saw its losses jump more than five-fold to US\$222.04 million in the January to September period from only \$44.01 million in the same period last year. However, the figure fell from \$283.8 million it posted in the first half of this year.

Garuda attributed the significant losses, as of September, to its participation in the tax amnesty that cost it \$138.3 million and a legal settlement for a case of air cargo price fixing in Australia, which required it to pay \$7.5 million. It described both causes as "extraordinary occurrences."

Garuda Indonesia finance director Helmi Imam Satriyono said the company would be taking efficiency measures during the remaining months of the year, targeting savings of \$100 million in costs throughout this year.

So far, the airline already managed to achieve 70 percent of the target and sought to pursue another 30 percent until the end of this year, he added.

The measures include renegotiating contracts for nine aircraft, postpone the delivery of 20 aircraft until 2019 and increase the utilization rate of its aircraft by optimizing its existing routes.

The postponement may save between 20 and 22 percent of its leasing rate, according to the airline's estimate.

Garuda's data showed that it had 200 aircraft in total as of the first half of the year, including ones used by its low-cost subsidiary Citilink, slightly down from 196 aircraft it had as of the end of last year.

"We will also change the structure [of the aircraft lease contract], so there will be a long-term impact. Next year, we will use the new cost structure," Helmi said Wednesday.

He, however, acknowledged that boosting its business in the fourth quarter would be more difficult compared to the previous quarters as it could only rely on one month of the holiday season, namely December.

Despite the surging losses in the first three quarters of this year, Garuda actually managed to post \$61.9 million in profit in the third quarter, up from \$19.6 million in the corresponding quarter last year.

"This is the year of pushing down losses [for us]," Helmi said.

The firm linked the profit with its better performance in cost management, higher traffic on international routes and greater revenue from its digital platform. These factors allowed Garuda to jack up its operation revenue by 10.7 percent year-on-year (yoy) to \$3.1 billion as of September.

The largest part of its revenue derived from transporting passengers followed by the delivery of cargo, with the former contributing \$2.3 billion.

In total, Garuda and Citilink jacked up their passenger numbers by 3 percent from January to September to 26.8 million from the past year.

Garuda president director Pahala N. Mansury, meanwhile, said the better result in the third quarter was the fruit of its concerted effort to make its operation more efficient.

"Various efforts that the company implemented have finally yielded a significant result," he said.

Pahala also pointed out the considerable contribution of the company's e-commerce platform to its revenue.