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ECONOMIC REFORM

Indonesia's economy still work-in-progress

Marchio Irfan Gorbiano
THE JAKARTA POST/JAKARTA

Although Indonesia may have gained ground in the World Bank's latest ease-of-doing-business (EODB) report, the archipelago still has much to improve before it can transform into a high-income economy by 2045.

A joint report by the United States Chamber of Commerce and the American Chamber of Commerce in Indonesia (AmCham), titled "The Big Picture: Indonesia's Partnership with US Investors" concluded that Indonesia still needed to develop a comprehensive and clear roadmap based on the country's competitive advantages, while including participation from the public and stakeholders during the policy-making process.

Moreover, it stressed that legal reform was needed in order to attract more foreign investment.

"Legal reform is another area where change is badly needed, but there is little short-term incentive to battle the entrenched interests who benefit from the system as it is," the report stated.

The report was based on extensive interviews with government officials and senior experts, such as Investment Coordinating Board (BKPM) chairman Thomas Lembong and National Development Planning Agency (Bappenas) head Bambang S. Brodjonegoro, among others.

Furthermore, it covered Indonesia's economic development targets and policies, alongside the hurdles that hold the country back from achieving its ambitious goals.

President Joko "Jokowi" Widodo has continued to express his optimism that Indonesia will graduate into a high-income economy by 2045, just in time to commemorate the country's 100th year of independence.

He estimated that Indonesia's per capita income would reach US$29,000 in that year, and the economy would grow 6 percent annually. Indonesia's population is also expected to increase to a whopping 309 million people.

Indonesia has made strides toward its goals and moved up 19 places to 72nd place in the World Bank's latest EODB report.

Meanwhile, US Ambassador to Indonesia Joseph R. Donovan Jr echoed the report's sentiments, saying that the Indonesian government still had a lot more to do to continue its economic reform and increase foreign investment and trade.

While he applauded the government's economic reform agenda, Donovan noted that there was still too much red tape.

"Structural barriers in the economy, such as local content requirements, contribute to a significant and persistent trade imbalance between our two countries as well as limiting potential benefits to Indonesia," he said during the US-Indonesia Investment Summit held in Jakarta on Thursday.

For example, many US companies were interested in developing Indonesia's solar power but were hampered by Industry Ministerial regulation No. 5/2017 on local content, which requires a high amount of local industrial content. The same policy is also cited as limiting Indonesian consumers' access to the latest 4G devices, he said.

Indonesian exports to the US stood at Rp 250 trillion (US$ 19 billion) last year, while imports from the US reached Rp 81 trillion in the same period, according to Donovan.

He also expressed concern over the trend of declining US exports to Indonesia. This is not the first time the US has taken issue with the trade deficit, as US President Donald Trump previously issued an executive order to review it, alongside those of 15 other countries, earlier this year.

Meanwhile, AmCham president Brian Arnold said Indonesia should increase the amount of foreign direct investment (FDI) if it wants to have annual 6 to 7 percent gross domestic product (GDP) growth.

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SEZ in West Java explored

Farida Susanty
THE JAKARTA POST/JAKARTA

The government has explored the possibility of transforming industrial hubs Bekasi, Karawang and Purwakarta in West Java into a special economic zone (SEZ), as proposed by the Indonesian Chamber of Commerce and Industry (Kadin).

As a follow-up to a meeting between Kadin's top bosses and President Joko "Jokowi" Widodo last week, Coordinating Maritime Affairs Minister Luhut Pandjaitan held a meeting on Thursday to further discuss the matter as he was appointed by the President to coordinate the plan.

The meeting was attended by National Development Planning Minister Bambang Brodjonegoro, Industry Minister Airlangga Hartarto, Transportation Minister Budi Karya, Deputy Finance Minister Mardiasmo, Kadin chairman Rosan P. Roeslani and Lippo Group CEO James Riady, among other people.

"Kadin met with the President for almost three hours and gave many suggestions for the economy. One of them was for the government to explore the possibility of turning Bekasi, Karawang and Purwakarta into a special economic zone," said Luhut after the meeting.

Luhut said he took a helicopter ride last Sunday to inspect the areas and viewed a model home in Meikarta, a Rp 278 trillion (US$20.5 billion) property project backed by diversified conglomerate Lippo Group.

He then requested his undersecretary for infrastructure, Ridwan Djamaludin, to carry out a preliminary study with Kadin and relevant agencies to be discussed in Thursday's meeting.

"The result [of today's meeting] is that Bappenas [National Devel-

Companies operating in SEZ will enjoy hefty incentives

Kadin proposes SEZ concept for Bekasi, Karawang, Purwakarta

opment Planning Agency] and Ridwan will conduct a study for the next two weeks. Then we will see if an additional study is necessary to make a decision," Luhut said.

Industrial areas in the three regencies account for 43 percent of national industrial output as multinational companies, such as Toyota, Honda, Mitsubishi and LG Electronics, have manufacturing plants located there.

There is an estimated 1,000 square kilometers of available land between the three regencies that may potentially be turned into a SEZ, according to Kadin. The areas will also be in proximity to the planned Patimban deepsea port and Kertajati airport.

If the industrial areas were turned into an SEZ, new businesses operating there would enjoy hefty incentives, such as tax holidays for between five and 25 years for investment of at least Rp 500 billion (US$36 million), and exemptions from import duties, value-added tax and luxury tax.

Companies would not need to go through the bureaucratic hassle of obtaining their licenses, such as for land, immigration and labor, as they would be handled by the SEZ administrator. Foreign nationals and entities could also own homes and apartments located in the SEZ with permanent resident permits.

However, the SEZ concept for manufacturing is supposedly intended for areas outside Java as the Jokowi administration aims to promote equal economic development and reduce economic reliance on Java as the center of the country's economic activities. There are currently nine SEZs for manufacturing located in Sumatra, Kalimantan, Sulawesi and Papua, as well as three SEZs for tourism in Banten, West Nusa Tenggara and Bangka Belitung.

In response to the proposal, Rosan said even though Kadin understood the President wanted development to be spread out evenly across the archipelago, the government could not deny the fact that the industrial areas in the three regencies were among the biggest in Southeast Asia.

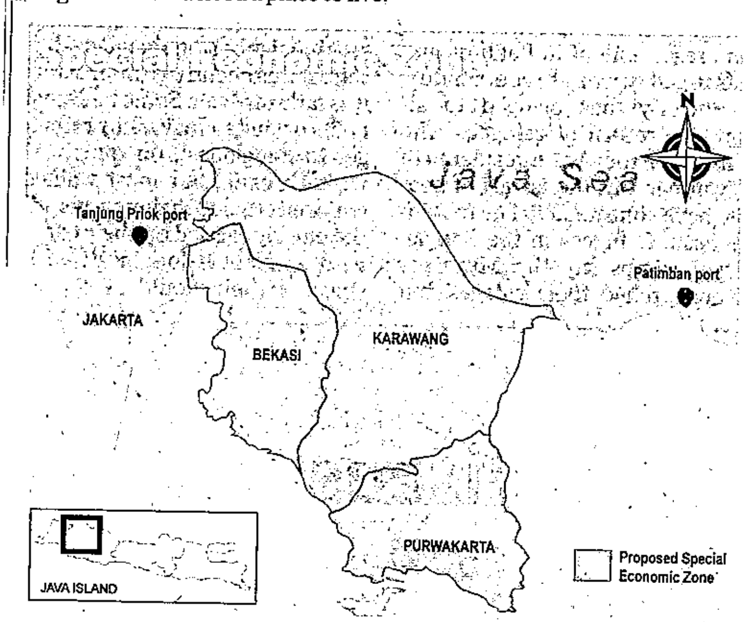
"So we need to determine how to upgrade and make the area more efficient. [...] We need to see Java not as a standalone area, but a vision for development, which can have a massive impact on economic growth going forward," he said.

"There needs to be a specialized autonomy agency that can play any role, for permits, infrastructure and grand design."

The establishment of a SEZ can be proposed by a business entity, regional administration or a ministry. Approval from a city, regency or provincial administration is also needed, with the final decision in the hands of the President.

When asked about his role in putting forward the proposal, Lippo's Riady said it was a team effort. "Everyone has a role in developing the country," he said.

The inclusion of Meikarta in the SEZ would also depend on the study, Luhut said, adding that the housing project might complement the areas as the people working there would need a place to live.



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SELF-SUFFICIENCY

NTT may have answers to national salt production woes

Djemi Amnifu
THE JAKARTA POST/KUPANG

As a province whose maritime area is much greater than its land and with 12 regencies having a potential abundance of salt, East Nusa Tenggara (NTT) could become a center of national salt production.

The 12 regencies are South Central Timor, North Central Timor, Malaka, East Flores, Lembata, Ende, Nagekeo, Manggarai, East Sumba, Sabu Raijua and Rote Ndao.

"NTT has huge salt producing potential that could make it the salt province. It could supply the national demand," Coordinating Maritime Affairs Minister Luhut Pandjaitan said during a recent visit to the office of state-owned salt producer PT Garam Indonesia in Bipolo village, Sulamu district.

The village already has 385 hectares of salt fields. Last year, the company had its first harvest of 300 tons of salt in the village, located some 45 kilometers from Kupang. In the future, Luhut said the government expected the Kupang administration to develop and improve the salt-producing area in Bipolo to a total of 5,000 ha.

President Joko "Jokowi" Widodo aims for Indonesia to be self-sufficient in salt by 2020.

The 12 regencies in the province have the potential to manage 26,000 ha of salt fields with an output of 2.7 million tons per year.

With the addition of salt production from Madura in East Java, Makassar in South Sulawesi and West Nusa Tenggara, Luhut said Indonesia could become self-sufficient for its domestic needs, which amounted to more than 4 million tons per year for both table salt and industrial use.

He also urged all parties to develop salt farming to boost the local economy.

"Planting rice produces a one-time harvest with yields of Rp 7.5 million [US$554] while salt harvests can cash in up to Rp 30 million per year," the minister said.

The government has set a target of producing 4.5 million tons of salt by 2019. The target for this year is 3.6 million tons, up from 3.3 million tons last year.

Local salt farmer Thomas Pandie, 56, said the main obstacle to developing his salt fields was a lack of capital and the marketing of his salt products. "Here, the rainy season is only up to four months and the rest is hot. So often we have high salt production that we cannot sell. Most of the salt is left unused and ruined," he said.

In one year, Thomas could harvest 1,000 to 5,000 kilograms of salt in his 2 ha salt fields in Oebelo village in Central Kupang district, not all of which could be sold.

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COMMODITIES

Govt vows to help boost palm oil industry competitiveness

Winny Tang
THE JAKARTA POST/NUSA DUA, BALI

The government has vowed to ramp up efforts to enhance the competitive edge of the palm oil industry through a replanting program and the diversification of export destinations.

The replanting program is critical to jack up the productivity of oil palm plantations in the world's largest palm oil-producing nation as local plantations produce a low output of 2 to 3 tons of palm oil per hectare.

The government is confident that through the program, smallholders can raise their productivity, generating up to 8 tons of the commodity per ha each year if they use high quality, certified seeds.

"We know that smallholders don't have the funds to conduct replanting, even though the trees are already aged 25 years old," Coordinating Economic Minister Darmin Nasution said on the sidelines of the 13th Indonesian Palm Oil Conference on Thursday.

As many as 2.4 million ha of oil palm plantations are in dire need of replanting, according to official statistics.

President Joko "Jokowi" Widodo recently initiated the government-backed replanting program in Musi Banyuasin regency, South Sumatra, a major palm oil-supplying region.

The pioneer project was initially slated to cover 4,447 ha of plantation area, but as of the program's inauguration, only 2,836 ha were declared clean and clear.

"The problem was related to the land status [...] but the process of acquisition is still ongoing and we expect the remaining 1,611 ha to be opened up soon," Indonesian Oil Palm Estate Fund (BPDP) chairman Dono Boestami said on the sidelines of the conference.

Going forward, Darmin said, the president would kick off the second replanting program at the end of the month in Deli Serdang, North Sumatra. The government had yet to identify the affected areas.

During the conference, the Indonesian Palm Oil Producers Association (Gapki) proposed a few recommendations to the government on how to improve the competitive edge of the domestic palm oil industry.

The lobby group urged, among other things, that it develop trade agreements with buyer countries and discover new markets. At present, top export destinations of Indonesian palm oil are China, the European Union, India and Pakistan.

Palm oil and its derivatives are among the largest contributors to Indonesia's export revenue.

Gapki also demanded that the government improve the domestic investment climate to ensure business certainty.

"In particular, [it needs] to continuously review various regulations that potentially hamper investment," Gapki chairman Joko Supriyono said.

Furthermore, the group also demanded that the government strengthen Indonesian Sustainable Palm Oil (ISPO) certification to enable it to become more credible and internationally recognized.

In response to the association's appeal, Darmin said that in the past years, the government intensively looked to diversify its palm oil export markets through visits to several countries.

"In the past one to two years, the President has actively visited a lot of countries that were not Indonesia's traditional markets," he said.

Regarding Gapki's demand to enhance the investment climate, Darmin claimed that the government had already passed Presidential Decree No. 88/2017 on the settlement of forest land areas for businesspeople working in the plantation sector.

Palm oil production is expected to jump by 12.31 percent year-on-year (yoy) to 36.5 million tons this year.

Meanwhile, exports of CPO and its refined products are estimated to reach 30 million tons, approximately 20 percent higher than the year before.

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LOCAL ELECTIONS

Govt seeks to ensure security in Papua

Marguerite Afra Sapiie and Nethy Dharma Somba
THE JAKARTA POST/JAKARTA

The government is moving to counter the threat of violence from armed groups ahead of next year's regional elections in Papua.

The moves come on the heels of a series of shootings around the mining site of PT Freeport Indonesia (PTFI) in Tembagapura, Mimika regency, in the central highlands, with six incidents reported since August.

Coordinating Political, Legal and Security Affairs Minister Wiranto invited on Thursday security officials from Papua to discuss the recent shootings, which he described as "escalating," as well as the efforts to ensure security in the province where elections for governor and seven district heads will be held in June 2018.

"It's our responsibility to address criminal armed groups so they no longer disturb the public or threaten security, particularly since the local elections are nearing," Wiranto said.

The government, he added, would be watchful for the possibility that the recent attacks were aimed at disrupting the preparations for the upcoming regional elections.

The latest incident in Mimika occurred on Sunday, when a group of unidentified gunmen fired at a police Mobile Brigade (Brimob) post at Mile 66. The police subsequently issued the highest security alert in response to the rise in attacks.

Last week, Brimob officer First Brig. Berry Pramana Putra was killed in a shoot-out with unidentified gunmen on Utikini Bridge in Mimika while he, along with other personnel, was pursuing a group of armed assailants suspected of being behind the shooting incidents in the area around PTIF in the recent months.

Thursday's meeting concluded with the police planning to ask local tribal and religious leaders to engage some armed groups in dialogue, as the police found indications that such groups "may also be used by candidates to gather support [in local elections]", according to Papua Police chief Insp. Gen. Boy Rafli Amar.

Boy said the police had identified at least two armed groups behind the security disturbances in Mimika, namely the "Waker" group led by Sabinus Waker and the "Kwalik" group, whose former leader, Papua separatist leader Kelly Kwalik, died in 2009.

Papua Police are set to deploy 7,000 officers to secure the elections in the province, which saw clashes break out in four local elections this year, mostly triggered by one group accusing another of engaging in electoral fraud."We will also ask National Police headquarters to deploy seven Brimob company-level units to beef up our security measures," he said.

Cendrawasih Military Command has prepared its personnel to team up with the police to anticipate possible outbreaks of violence.

"The difficulty is that [the armed groups] live among the locals, so we need to be careful," Cendrawasih commander Maj. Gen. George Supit said.

The latest report by Jakarta-based Institute for Analysis of Conflict (IPAC), meanwhile, has identified electoral fraud, including voting rolls full of fictitious names, as the main problem in Papuan elections, especially in the central highlands which is cited as the worst-administered region in the country.

Similar concerns were voiced by Lakius Peyon, the regent of Yalimo in the central highlands, who said election-related conflict in Papua was rooted in the poor data on the province's population, with village voter lists stuffed with more names than actual residents in the villages.

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PLN gets Rp 16.3t loan for infrastructure

JAKARTA: State-owned electricity company PLN has obtained Rp 16.3 trillion (US$1.20 billion) of syndicated loan from banks and non-banks.

It was a scheme that combined conventional and sharia financing — the conventional scheme contributed Rp 12 trillion and the sharia scheme contributed Rp 4.3 trillion — with a 10-year term.

"It is the first time that PLN has signed a loan in a sharia scheme. It is also the biggest sharia credit in Indonesia," said PLN president director Sofyan Basir in Jakarta on Thursday.

The financing institutions involved in the syndicated loan include Maybank Indonesia, Bank Mandiri Syariah, Sarana Multi Infrastruktur, BNI Syariah and Bank Permata Syariah.

This year, PLN needs about Rp 86 trillion to develop the electricity infrastructure, or a 43-percent increase compared to the project realization in 2016. "Support from banks and non-banks is very meaningful for PLN," said Sofyan, adding that this year, the national electrification rate was expected to be 93 percent.

PLN is tasked by the government with implementing the 35,000 megawatt (MW) program, which is targeted to be completed in 2019, but up to this month, less than half could be achieved by the company by the third quarter of 2017. Sofyan added that the support from financial institutions was key to PLN completing the 35,000 MW program.

Currently, the total assets of PLN reached Rp 1.31 quadrillion, compared to Rp 1.27 quadrillion in Dec. 31, 2016. —*JP*

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FINANCIAL PERFORMANCE

Pertamina struggles to make ends meet amid tasks

Viriya P. Singgih
THE JAKARTA POST/JAKARTA

State-owned energy giant Pertamina has been gasping for air as the government decided to maintain the prices of certain fuels amid mounting tasks the company has to accomplish in the upstream and downstream oil and gas sectors.

In accordance with global oil prices, the government in 2015 decided to evaluate once every three months the price of Premium gasoline — which has a research octane number (RON) of 88 — as well as subsidized diesel Solar and kerosene.

Since April 2016, however, the government has been ignoring the recovery in global crude oil prices, as it maintained fuel prices at Rp 6,450 (49 US cents) per liter for Premium, Rp 5,150 per liter for Solar and Rp 2,500 per liter for kerosene.

The Indonesian Crude Price (ICP), a benchmark to calculate non-tax income in the state budget, averaged at $48.86 per barrel during nine months of 2017, up 28.9 percent from the corresponding period last year.

During the same period, Pertamina's revenue climbed by 17.8 percent year-on-year to $31.38 billion, but its net income fell by 29.7 percent to $1.99 billion due to a 27 percent increase in its cost of goods sold and operating expenses.

Had the prices been adjusted in accordance with the set formula, Pertamina would be able to gain extra $1.42 billion in revenues and $1.06 billion in net income, said the company's president director Elia Massa Manik on Thursday.

"As there had been no adjustment, we could only record $31.38 billion [in revenues]," Elia said.

Although Pertamina was able to survive amid the government's mandate to implement the one fuel-price policy, the expected additional $1.06 billion could have been used to accelerate the company's investment, he said.

Under the one fuel-price policy, Pertamina plans to establish fuel distribution agents in 150 remote locations by 2019 in order to keep prices of Premium and Solar at the same level in those areas.

Pertamina has estimated it will have to spend Rp 800 billion to penetrate 54 locations throughout this year alone and Rp 5 trillion to realize the policy in all 150 locations by 2019.

The government still owed Pertamina Rp 22 trillion in subsidies for the sale of subsidized 3-kilogram liquefied petroleum gas (LPG) canisters and subsidized Solar diesel, according to 2016 data.

Moreover, the government had yet to pay Rp 8.4 trillion for supplies of gasoline from Pertamina to the Indonesian Military since 2014.

"For the ongoing year, there have been additional debts worth Rp 10 trillion as well. We're still discussing it with the government, but hopefully, it can repay some of the debts this year," Pertamina finance director Arief Budiman said.

Energy and Mineral Resources Minister Ignasius Jonan had acknowledged Pertamina's financial situation, but said that all of the company's financial burdens in the downstream sector would be offset with revenues coming from upstream oil and gas working areas mandated to the firm.

For instance, Pertamina will officially take over full operations at the gas-rich Mahakam block in East Kalimantan on Jan. 1, 2018 from French oil and gas giant Total E&P Indonesie (TEPI).

TEPI currently holds a 50 percent stake in the block, while its Japanese partner Inpex controls the remainder.

As an effort to maintain continuity and a stable level of Mahakam block's oil and gas production post-takeover, Pertamina has planned to start drilling 14 wells there this year with investment worth at least $180 million.

"So, we can only bear the fruit from the Mahakam block far in the future. But first we need to invest a huge amount of money to maintain the block's production," Elia said.

Between January and September, Pertamina produced 342,000 barrels of oil per day (bopd) and 2,030 million standard cubic feet per day (mmscfd) of gas, up 10.6 percent and 3.94 percent from the previous year, respectively.

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Private firms to get majority stake in Patimban

Farida Susanty
THE JAKARTA POST/JAKARTA

Private entities, SOE to get 26 percent, 25 percent shares, respectively

Loan agreement to be signed in mid-November

The Indonesian government has signaled that it will allow private firms to hold a majority stake in the operation of Japan-backed Patimban Port in a move that may boost private sector participation in the infrastructure sector.

The step is to comply with a request by top Japanese officials to amend the share of Indonesia's state-owned enterprise (SOE), apparently state-owned port operator PT Pelindo II, in the US$3 billion project.

Indonesia is slated to manage a controlling share of 51 percent in the Patimban Port operation, while the rest will be offered to Japan.

"The state-owned port operator will get at least a 25 percent share or less, while Indonesia's private sector will obtain at least 26 percent or more [of the 51 percent share]," Transportation Ministry port director Chandra Irawan said in a statement Thursday.

The ministry also said it would seek a private entity capable of performing the task.

The hint from the government came after concerns mounted among the country's private firms over the domination of SOEs in domestic infrastructure development.

Pelindo II has previously been cited as the most likely candidate as it already runs Indonesia's busiest port, Tanjung Priok, in Jakarta.

The issue of the future operatorship of Patimban Port, which will be located in Subang regency, West Java, was a topic of discussion during a recent vice-ministerial transport sector meeting between Indonesian and Japanese officials.

Both countries agreed to expedite the execution of the project that will begin next year.

Indonesia authenticated technical documents of the port's detailed engineering design (DED) in late October and kicked off the bidding process for the first package of the port's development, including the construction of a car and container terminal.

"We hope to process the second and the third packages in a matter of a week or two," Chandra added.

The government aims to finish the land procurement process for the port, which requires 570 hectares in total, by February next year.

The port will be located about 70 kilometers from Karawang Industrial Estate and Bekasi in West Java, where many Japanese industrial firms, in particular automotive manufacturers, have set up their facilities.

It will be able to handle 1.5 million 20-foot equivalent units (TEUs) of containers once it is partly completed in 2019 and 7.5 million TEUs by 2027.

The project will be largely funded by the Japan International Cooperation Agency (JICA), which will reportedly contribute $1.03 billion in the first phase, while the Indonesian government is in charge of land acquisition totaling Rp 500 billion (US$36.9 million).

The appointed port operators will procure and maintain tools to support the operation.

As the funding will derive from Japan, the government is also seeking to match local operators with the Japanese operator.

Chandra added that Indonesia expected to sign the loan agreement for the project in mid-November after the ongoing process, including the exchange of notes from both foreign affairs ministries, was concluded.

Deputy chief of mission at the Japanese Embassy in Indonesia, Kozo Honsei, said that Japan was still in talks with Indonesia about the operatorship of Patimban Port.

"We have received Indonesia's proposal and continue discussions," he said.

Separately, Indonesian National Shipowners Association (INSA) chairperson Carmelita Hartoto welcomed the government's decision to enable the private sector to become a controlling shareholder in the port's future operation.

"Involving the private sector in the government's program will ensure a level of efficiency that will help with the achievement of future development targets," she said.

Pelindo II corporate secretary Shanti Puruhita said, however, that she had not heard about the decision and declined to elaborate further.

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LABOR

Workers to stage rally in protest at new minimum wage

Winda A. Charmila
THE JAKARTA POST/JAKARTA

Labor organizations plan to stage a rally in front of City Hall and State Palace next week to express their disappointment at the new provincial minimum wage.

At least 20,000 workers from various organizations will join the rally scheduled to be held on Nov. 10 in conjunction with National Heroes Day.

On Wednesday, Jakarta Governor Anies Baswedan set a new provincial minimum wage of Rp 3.6 million (US$266), somewhat lower than the workers' demand of Rp 3.9 million. The figure is in line with the wage suggested by business bodies.

Confederation of Indonesian Workers Unions (KSPI) head Said Iqbal said workers would stage rallies for several days starting from Nov. 10, and would also file a challenge to the minimum wage with the Jakarta State Administrative Court (PTUN).

"We won our challenge to the 2017 minimum wage, but Anies Baswedan and [Deputy Governor] Sandiaga Uno did not want to implement the ruling," Said said on Thursday.

In August, a panel of judges in the PTUN ruled in favor of the workers on the 2017 provincial minimum wage, which was calculated based on Government Regulation (PP) 78/2015 on wages. The panel said that setting a minimum wage without taking into account the basic cost of living contravened the 2003 Manpower Law.

The 2018 wage, meanwhile, was also decided based on the regulation by considering the country's inflation rate and gross domestic product (GDP), which as of September stood at 3.2 percent and 4.99 percent respectively.

The figure suggested by the workers was based on the basic cost of living. The current wage stands at Rp 3.3 million.

Said said both Anies and Sandiaga had broken their promise in a political contract with workers organizations stating that they would set the minimum wage higher than the calculation stipulated in the 2015 regulation.

"Therefore, starting on Nov. 1, all Jakarta's workers declare a withdrawal of support from Anies and Sandiaga as Jakarta leaders, because they lie and break their promise to workers. Leaders must keep their promises," he said.

During the gubernatorial election campaign, the workers pledged support for Anies and Sandiaga, who promised to increase the wage to Rp 7 million per month.

Upon inauguration on Oct. 16, the workers demanded the new leaders make good on their promise.

To ease the tension, the city administration will provide various subsidies for the workers next year.

"We'll increase the minimum wage and also reduce living costs by food subsidies, cut transportation costs, and education allowances for workers' children will be raised," Anies said.

However, those solutions were ineffective because such subsidies are aimed at poor people while workers are categorized as "near poor" so it is unlikely they will receive the subsidies, Said countered.

The proposed 2018 draft budget is still being discussed with the city council. The city administration has proposed an increase of Rp 2.72 trillion (US$200.8 million) in the 2018 draft budget, from the previous Rp 74.06 trillion, to Rp 76.78 trillion.

Separately, Aviliani, an economist at the Institute for the Development of Economics and Finance (Indef), said provincial minimum wages should be agreed between business bodies and workers without government interference.

"Those who pay the workers are the businesses and it would also ease the administration's burden by letting them to set the wage," Aviliani told *The Jakarta Post*.

She added that the country's economy remained sound but middle- to upper-income earners did not spend most of their money on food or retail anymore, two benchmarks used to determine whether the economy is doing well. So far the government has been unable to determine the new spending patterns.

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Miners buoyant over surging commodity prices

Viriya P. Singgih
THE JAKARTA POST/JAKARTA

Looser export tap leads to 30 percent growth in mining sector

LME nickel price reaches $12,140 per ton high in September

Indonesian miners have started to get back on their feet following an upward trend in the prices of global commodities.

Official government data shows that as of September, about 60 percent of the Rp 1.28 quadrillion (US$95.16 billion) tax revenue target had been met this year, with the mining sector having posted the highest annual growth of more than 30 percent.

The growth in the mining sector came as a result of an increase in the export of several commodities amid recovering prices. Earlier this year, the government reopened a tap on exports of low-grade nickel ore with content below 1.7 percent and washed bauxite with an aluminum oxide content of 42 percent or more.

State-owned diversified miner PT Aneka Tambang (Antam) is among those who have benefited from the new export policy.

"We were able to book positive results in net revenue as well as in operating profit by the end of the third quarter," Antam corporate secretary Aprilandi Hidayat Setia told *The Jakarta Post* on Thursday.

As of September, Antam had exported 1.9 million wet metric tons (wmt) of low-grade nickel ore, about 70.3 percent of the total quota granted by the government in March. In October, it obtained another permit to export 1.25 million wmt of nickel ore.

As a result, Antam's net revenue climbed by 7.9 percent year-on-year (yoy) to Rp 6.96 trillion in the first nine months. It also recorded Rp 232.89 billion in operating profit, a significant increase over the operating loss of Rp 193.27 billion it booked in the same period last year.

However, Antam still saw a net loss of Rp 331.47 billion at the end of the third quarter, far below last year's Rp 38.27 billion in net profit.

"The net loss came from a depreciation of our Pomalaa ferronickel plant expansion project in Southeast Sulawesi, which was completed in 2016. We also started

antam.com

Aprilandi Hidayat Setia

paying off debts from the project's financing," Aprilandi said, adding that the net loss in the third quarter had fallen 33.2 percent from the previous three months.

Meanwhile, nickel miner PT Vale Indonesia booked a net profit of $1.9 million in the third quarter alone. Even so, its net loss still grew by 179.4 percent to $19.6 million in the first nine months because of huge accumulating losses in the first and second quarters.

From January to September, Vale's top line jumped by 10.6 percent yoy to $448.7 million as a result of recovering nickel prices. The London Metal Exchange's nickel cash value reached this year's peak of $12,140 per metric ton on Sept. 5 before falling to $10,580 per metric ton by the end of the third quarter.

Meanwhile, state-owned ti miner PT Timah recorded Rp 6. trillion in revenue, up 44.17 pe cent yoy in September. Its ne profit skyrocketed to Rp 300.5 billion from Rp 50.65 billion i the same period last year.

Timah produced 22,837 met ric tons and sold 21,588 met ric tons of refined tin in the firs nine months. Simultaneousl its average selling price stood a $20,557 per metric ton, climbin 18.85 percent yoy.

"The increase in revenue wa driven by a surging demand fo tin used for electronic goods, in cluding from China," Timah sai in a statement.

Publicly listed miner P Merdeka Copper Gold recorde $58.9 million in revenue as o September, after it began minin activities at the Tujuh Bukit gol and copper mine in Banyuwang East Java, last December. Merde ka started selling its gold in May

By the end of the third quarte Merdeka produced 53,230 ounc es of gold and 15,683 ounces o silver. Its combined gold and si ver sales stood at 50,473 ounce which led to a net profit of $18.4 million, reversing a net loss o $2.5 million in the same perio last year.

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POWER GENERATION

With 35,000 MW program, Siemens eyes gold in RI market

Hendarsyah Tarmizi
THE JAKARTA POST/
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With its massive power plant development plan, Indonesia has become the most sought-after market for electricity generation equipment suppliers, whether they offer just small tools like electric switchgears, or heavy equipment such as boilers, steam generators and industrial turbines.

No wonder the eyes of all the world's major power plant equipment manufacturers are now on Indonesia, which is now executing its program to procure 35,000 megawatts (MW) of electricity.

Siemens AG, one of the main global suppliers of power generation systems and producers of power turbines, is among the technology giants that have put Indonesia as one of its main target markets in the world.

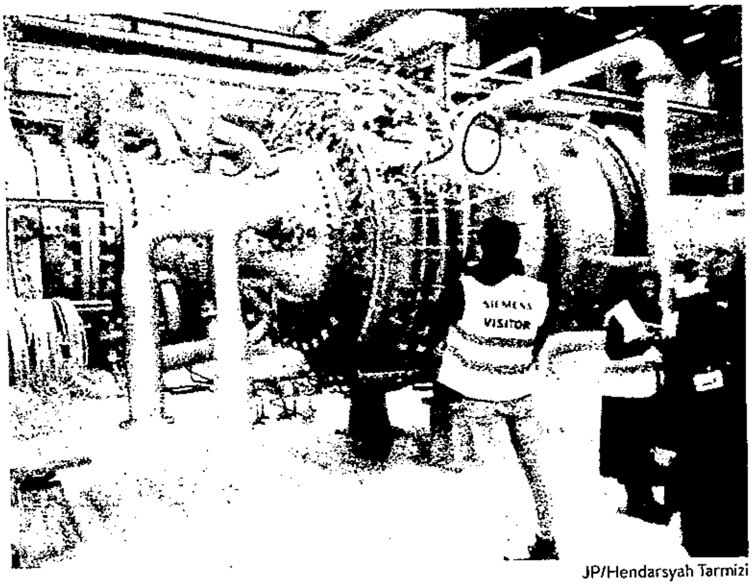
"Indonesia is a quite promising market for us. With our local factory, we are sure we will be more competitive [than other companies] in the Indonesian market," Thorbjoern Fors, the CEO of Siemens' distributed generation and oil and gas services told *The Jakarta Post* during a visit to the firm's turbine manufacturing plant in Finspang, Sweden, recently.

Fors said Siemens had many things to offer Indonesian power plant operators, both state-owned electricity company PLN and independent power producers, and those were not only related to equipment, but also digital solutions, which could help optimize operations of power plants.

As one of the main suppliers of power plant equipment, Siemens is one of the global producers of combined-cycle gas turbines.

In its Finspang factory, Siemens produces industrial gas turbines with capacities of 19 MW to 60 MW. Gas turbines with smaller capacities are manufactured at the company's factory in Britain, while larger ones are produced in Berlin.

Fors said Siemens had signed a number of memorandums of understanding (MoU) with potential buyers from Indonesia. He hoped that the business deals with the Indonesian power plant operators could be realized soon.



JP/Hendarsyah Tarmizi

Power in the making: A visitor takes a look at a newly built gas turbine at Siemen's factory in Finspang, Sweden. The factory manufactures industrial turbines with capacities between 19 megawatts and 60 MW.

According to Fors, with its factory in Cilegon, Banten, which also produces power plant devices, Siemens has a competitive edge over its competitors, as the locally produced components would reduce overall costs.

Under the 35,000 MW program, Indonesia aims to build a variety of power generation facilities, such as coal, gas, geothermal and solar power plants until 2019, when President Joko "Jokowi" Widodo's administration ends its term. However, due to delays in some projects, the government may miss its target.

Nevertheless, despite such delays, Indonesia remains a big market for power generation equipment.

Besides Siemens, GE Power of the United States and a number of Chinese companies are also big suppliers for the power systems in Indonesia.

With its local unit PT Siemens Indonesia, Siemens provides a wide range of solutions and services with a focus on the areas of electrification, automation and digitalization. The company also operates two factories in Cilegon and in Pulomas, Jakarta.

At its factory in Cilegon, Siemens produces electricity components, such as steam turbine outer casings and inner casings, steam turbine blade rings, combustion chambers and industrial steam turbines, while the Pulomas factory manufactures switchgears as well as automation and control systems.

Siemens-made turbines have been used by a number of power plants in Indonesia, such as PT Cikarang Listrindo in Cikarang, West Java and PLN Batam in Riau islands.

Besides providing the heavy equipment, Siemens is also expanding its digital solutions to the world's main power plant operators.

Aymeric Sarrazin, senior vice president of Siemens' Power Generation Services, Controls and Digitalization, said Siemens provided digital services to help companies leverage their data in order to increase the availability of assets, optimize maintenance intervals and improve performance.

By implementing such digital solutions, the companies will be able to better compete in an increasingly challenging environment, he said, adding that the digital solutions could combine product know-how and process expertise with data analytics to help companies reduce unplanned downtimes and improve operational efficiency.

Sarrazin said the company's digital solutions could be used for a single power operator and a nationwide power system.

As part of the expansion of its digital power plant offerings, Siemens has signed an agreement with China Resources Power Holdings Company Co. Ltd. (CR Power) to set up an integrated and connected Remote Operation Center (RPC) for CR Power's fleet.

Digitally connecting its power generation assets gives CR Power real-time insights into the operational conditions of its fleet.

Based on those insights, Siemens' advanced data analytics will give recommendations for improved performances to help extend the operational lifetime of the power plants.

Indonesia's sole electricity offtaker, PLN, could adopt similar digital solutions so that it could closely and accurately monitor the operations of its power plants across the country, Sarrazin said. The real-time information would provide PLN with an early warning if a part of its operation experiences technical problems, so that a quick repair can be made, he added.

As part of its digitalization, Siemens has also offered additive manufacturing (3D-printing) of spare parts for industrial gas turbines. With the additive manufacturing technology of selective laser melting (SLM), Siemens can repair parts for industrial gas turbines up to 60 percent faster and with full freedom of design.

Within the past few years, additive manufacturing has emerged and is revolutionizing component manufacture. This technology allows design improvements and rapid manufacturing of components, thus enabling existing assets to be quickly upgraded to the latest part design.