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# Ngurah Rai open despite ash

**Ni Komang Erviani and Panca Nugraha**
THE JAKARTA POST/DENPASAR/ MATARAM

After spending a week in Bali, Australian vacationers Jake Vidler, 21, and his brother Ben Vidler, 18, expected a quick trip home on Sunday before receiving bad news.

The airline that was to fly them back home, Jetstar, was unable to do so as of Sunday afternoon.

"I should be working tomorrow, but I'm stranded here. We have to wait until Wednesday," Jake told *The Jakarta Post* on Sunday.

The Vidler brothers were among thousands of passengers stranded on the resort island after a number of airlines canceled their flights to and from Bali over the weekend owing to increased volcanic activity on Mount Agung.

Forty-five flights, both domestic and international, were canceled on Sunday as the aviation authority raised the alert status from orange to red — the highest aviation alert level— following volcanic eruptions.

More than 6,000 passengers were affected by the flight disruptions, mostly tourists from Australia. Some passengers decided to camp overnight at Ngurah Rai International Airport, while others returned to their hotels.

Mount Agung spewed smoke and ash as high as 4,000 meters on Sunday morning for the second time in a week, in what volcanologists call a phreatic eruption, which is caused by the heating and expansion of groundwater.

Officials said later on Sunday that the activity could be a magmatic eruption — which involves the decompression of gas and results in the spewing of ash — and advised people near the mountain to wear masks.

However, authorities have decided not to raise the alert level back to the highest level just yet.

Despite the increased volcanic activity, the operator of Ngurah Rai declared conditions safe for any aircraft to land at the airport.

**At least 6,000 passengers stranded**

**Mount Agung shows increased activity over weekend**

"We did not shut down operations as there is no volcanic ash going into the direction of the airport," said Eko Setiawan, general manager of the Denpasar branch of state-owned air navigation firm AirNav.

Eko said the wind was blowing ash eastward to the neighboring province of West Nusa Tenggara (NTB), prompting the closure of the Lombok International Airport (LIA) in the province. The airport will be closed between Sunday 5:55 p.m. and 6 a.m. Monday local time.

LIA general manager I Gusti Ngurah Ardita said volcanic ash had not reached the airport, while several tests conducted by the Meteorology, Climatology and Geophysics Agency (BMKG) found that areas within a 10-kilometer radius of the airport had not been affected by volcanic particles.

He said the decision to shut down LIA was based on data from the AirNav satellite, which showed thick volcanic ash traveling in the direction of Lombok from Bali.

The Volcanology and Geological Hazards Mitigation Center (PVMBG) said minor eruptions would continue over the next month before a major eruption took place.

A senior PVMBG official said the characteristics of the recent eruptions were akin to those that occurred in 1963, when Mt. Agung last erupted, killing nearly 1,600 people.

"In 1963, Mt. Agung also underwent minor eruptions for around one month. In the second month, the major eruption happened," Suantika said.

He said since the PVMBG could not predict when the major eruption would occur, it would only advise people to stay away from the volcano's exclusion zone.

The PVMBG announced earlier that the safe zone was outside a 6-to 7.5-km radius from the volcano summit. The volcano alert level, however, has not been increased, which also means that the exclusion zone has not yet been extended.

Suantika said the PVMBG was still considering whether to increase the alert level. "We will see the activity of the volcano tonight and decide whether we need to elevate the alert level," he said.

In Amerta Buana, among 15 villages in the exclusion zone, village chief I Wayan Suara Arsana said all residents had been evacuated following the first phreatic eruption on Tuesday.

"Many of them had returned home after months living in shelters. But now they've returned to the shelters as they are also worried about the eruption," Arsana said.

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# No second tax amnesty, just self declare: Tax office

**Marchio Irfan Gorbiano**
THE JAKARTA POST/
MANADO, NORTH SULAWESI

The government hopes to coax more taxpayers into self-reporting their undeclared assets in either tax amnesty statements or annual tax returns (SPT) by adopting a softer approach.

Finance Ministerial Regulation No. 165/2017, which took effect on Nov. 20, stipulates that taxpayers who self-report their previously undeclared assets are required to pay tax rates as regulated under Government Regulation (PP) No. 36/2017.

The PP in turn stipulates that taxpayers who declare their assets are required to pay 25 percent in tax for organizations, 30 percent for individuals and 12.5 percent for institutions and specific taxpayers such as small and medium enterprises.

However, the government has insisted that the new regulation was not meant to be a second tax amnesty program, but would provide legal certainty for taxpayers who wanted to voluntarily declare their assets.

"The President has agreed that the tax amnesty was a one time amnesty, there will not be a second," said Directorate General of Taxation spokesman Hestu Yoga Saksama in Manado, North Sulawesi, recently.

Moreover, the regulation is intended to increase taxpayer compliance and the tax office's database.

Hestu also explained that because the assets were reported prior to the tax officers' investigation, taxpayers who self-reported their assets would not be slapped with fines as stipulated in the Tax Amnesty Law.

"Because the tax office had not found the [taxpayers] assets, while the taxpayers voluntarily declared and paid the taxes themselves, no sanctions will be imposed," he said.

Meanwhile, tax amnesty participants whose hidden assets are found by tax officers are required to pay additional fines that are double the taxes they are required to pay, and 2 percent times 24 months for those who did not take part in the amnesty, as per the 2016 Tax Amnesty Law.

The new regulation also relaxes the procedures for tax amnesty participants who are, according to the Tax Amnesty Law, entitled to the ownership transfer income tax waiver (SKB PPh) following the transfer of land or buildings currently registered under other people's names to the taxpayers' names prior to Dec. 31.

Under the new regulation, participants can use either the SKB PPh that was issued by the tax office or the tax amnesty participation letter to receive a notarized statement to process property ownership transfers at the National Land Agency (BPN).

Additionally, tax authorities were now actively pursuing undeclared assets, especially those belonging to taxpayers who did not participate in the tax amnesty program, which ended in March, Hestu said.

The tax office has so far produced 68 reports from 811 investigative warrants, resulting in the issuance of seven tax underpayment assessment letters (SKPKB) with a total of Rp 5.7 million in tax arrears from seven taxpayers.

Separately, Center for Indonesia Taxation Analysis (CITA) executive director Yustinus Prastowo said he hoped that the new regulation would bring greater compliance from taxpayers.

He also said that he hoped the short-term effect of the new regulation would drive up the country's tax income by three to five percent by the end of this year.

However, Yustinus also suggested that the newly issued regulation should be the last incentive of its kind for the present period.

"[The incentives in the new regulation], which were granted to encourage compliance, should be a one time relaxation and not be granted again to avoid the perception there is a 'permanent amnesty'," he said.

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COMMODITIES

# RI steps up fight against palm oil restriction in EU

**Stefani Ribka**
THE JAKARTA POST/JAKARTA

Indonesia is taking a firmer stance on what it deems as trade restrictions to its palm oil products in the European Union, amid intensified efforts to boost exports of the key commodity.

In its latest move, Indonesia, through the Council of Palm Oil Producing Countries (CPOC), wrote to KLM Royal Dutch Airlines to demand that the carrier remove a statement in its in-flight magazine warning suppliers to "avoid using palm oil in their products."

In the letter to KLM CEO Pieter Elbers, CPOPC executive director Mahendra Siregar said the airline's policy is "somewhat misguided and ignorant of the current developments in the global vegetable oil market in general and the related implication for the global environment."

"If I may, let me take this opportunity to enlighten KLM. The sole vegetable oil that can meet the increase in global demand is palm oil because its productivity is far greater than competing products, such as rape seed," wrote Mahendra, a former Investment Coordinating Board (BKPM) chief and deputy trade minister, in the letter dated Nov. 23.

"In this context, several supplying countries of alternative vegetable oils have stated that they no longer have the land bank nor natural resources like water available to meet future demand," he added.

Rapeseed produces 0.3 tons of oil per hectare, while soya and sunflower make 0.6 tons of oil per ha. That compares to 3 to 6 tons of oil per ha of oil palm can generate, according to the council, which comprise stakeholders from Indonesia, the world's largest palm oil producer and neighboring Malaysia, the second biggest producer, among others.

Previously, KLM's in-flight magazine explicitly stated the carrier's "no palm oil" requirement.

"If there are no viable alternatives, we ask that only RSPO-certified palm oil and responsible soy are being used," it said, referring to Roundtable Sustainable Palm Oil.

The CPOPC underlined that the costs of producing RSPO-certified palm oil is much higher, and KLM must, therefore, pay for it.

The council also told KLM that both Indonesia and Malaysia have their own sustainable palm oil certification, namely ISPO and MSPO respectively, which it claims are equally credible.

Indonesia has for years seen what it considers a smear campaign against palm oil in the EU, particularly the bloc's use of a single palm oil sustainability standard and the European Parliament's resolution in April to phase out palm oil-based biodiesel imports by 2020. While the resolution is non-binding, EU legislators are now reviewing and proposing amendments to a draft of the bloc's target on biofuel use, which must be approved by the EU Commission and member states.

CPOPC representatives are lobbying relevant EU stakeholders in Belgium over the issue.

"CPOPC representatives have been in Belgium since last week to approach stakeholders to stop the negative campaign and other similar steps," Fadhil Hasan, a board member of the Indonesian Palm Oil Producers Association (Gapki), told *The Jakarta Post* on Sunday.

He claimed that business players in Indonesia had gradually improved their plantation practices.

The Indonesian Palm Oil Estate Fund (BPDP) recently began a replanting program in South Sumatra and has planned similar programs in other main palm oil producing regions as an alternative to opening new plantations.

Since 2011, the government has put in a place a moratorium on expanding oil palm plantations that has been recurrently extended.

"There are no more new concessions for oil palm plantations today. Expansions only occur at old concession areas," Fadhil said.

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RAILWAY

# Uncertainty in LRT project to affect KAI, Adhi Karya

Winny Tang
THE JAKARTA POST/ JAKARTA

Railway operator PT Kereta Api Indonesia (KAI) and publicly listed construction company PT Adhi Karya — both state-controlled enterprises — may be negatively affected as risks loom large amid uncertainty surrounding Greater Jakarta's light rapid transit (LRT) project.

The State-Owned Enterprises Ministry recently issued a letter suggesting to review the role of KAI as the investor, saying a significant increase in the project's costs to Rp 31.8 trillion (US$2.35 billion) from the previously assumed Rp 26.7 trillion would disrupt the firm's cash flow.

In response to the letter, the Transportation Ministry on Friday affirmed that KAI would uphold its commitment to finance the project. However, KAI has only secured about 25 percent of the total funds needed from state capital injections.

"KAI will face huge challenges ahead. In terms of its financial capability, the company is not prepared to finance the LRT project," said Institute for Development of Economics and Finance (INDEF) economist Bhima Yudhistira.

If the government insisted on forcing the railway operator to put up an unreasonable amount of investment, the firm might have to postpone or even scrap other projects across Indonesia, he added.

The issue of financing the Greater Jakarta LRT project would be discussed again by KAI and Adhi Karya, which acts as the contractor in the project, and other stakeholders next week.

"Just wait until next week. For now, the project will run as usual" Adhi Karya president director Budi Harto said.

News reports raising questions about KAI's suitability as the LRT investor have hurt market sentiment, as reflected in the steep decline in the price of Adhi Karya's shares, which plunged by 7.8 percent on Thursday.

However, the firm's shares recovered slightly on Friday after Transportation Minister Budi Karya Sumadi released a statement assuring that KAI would keep its role as the project's investor.

"KAI will remain the investor [...] this has been coordinated with the Office of the Coordinating Maritime Affairs Minister, the Finance Ministry and the State-owned Enterprises Ministry," he said.

Adhi Karya saw its shares rise by 1.49 percent to Rp 2,040 before the close of trading at the Indonesia Stock Exchange (IDX) on Friday. The company's share price fluctuated between Rp 2,120 and Rp 2,010 during the trading day.

First Asia Capital analyst David Setyanto said the risk in the LRT project was still high, as the financing scheme remain blurred and as there was a chance that the project would be postponed.

"Historically, Adhi Karya has also experienced having to bear financial losses, [namely losses] amounting to almost Rp 200 billion for the failed monorail project [in Jakarta]," he said.

Despite the risk, David said the company's fundamental performance remained strong. Thus, he recommended investors buy the firm's shares if the price falls below Rp 2,000.

Similarly, Investa Saran Mandiri director Hans Kwee has suggested investors buy the company's shares when the price is low. He predicted there would be no further sharp decline in the company's shares price in the near future.

Previously, Coordinating Maritime Affairs Minister Luhut Pandjaitan announced that the LRT project cost would jump drastically because of a change in the train signaling system from fixed-block to moving-block technology, as well as the addition of train terminals.

The government has planned to cover Rp 7.6 trillion of the total project cost through state capital injections, which would be distributed in two phases: Rp 4 trillion in 2017 and another Rp 3.6 trillion next year. The remaining funds are expected to be collected by KAI through syndicated loans from state-owned and private banks.

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# Inalum to lead Indonesia's asset nationalization

Viriya P. Singgih
THE JAKARTA POST/JAKARTA

State-owned aluminum producer PT Indonesia Asahan Aluminium (Inalum), which is expected to soon become a mining holding company, is set to lead government efforts in nationalizing coal and mineral resources in order to strengthen the country's processing sector.

President Joko "Jokowi" Widodo's administration issued on Nov. 14 Government Regulation (PP) No. 47/2017 on additional state capital injection for Inalum, through which the government will transfer all of its Series B shares in three publicly listed state mining firms — PT Aneka Tambang (Antam), PT Timah and PT Bukit Asam — to the company.

As a result, the three miners will change their status to subsidiaries of Inalum from liability companies owned by the state once they receive approval in extraordinary general shareholders meetings on Nov. 29.

"Once the consolidation process is complete, Inalum's debt leverage will be boosted by three to four times," Fajar Harry Sampurno, the State-Owned Enterprises Ministry's deputy for mining, strategic industries and media affairs, said Friday.

As a result, he said, Inalum would have the financial capacity to make large investments, including acquiring 51 percent stake of gold and copper miner PT Freeport Indonesia (PTFI) from American mining giant Freeport-McMoRan (FCX).

At present, FCX owns 90.64 percent of PTFI, which operates the world's largest gold and second-largest copper mine in Grasberg, Papua, while the remaining 9.36 percent is owned by the government.

The government's shares in PTFI will soon be transferred to Inalum, following the issuance of the government regulation.

The State-Owned Enterprises Ministry estimated that the establishment of the mining holding firm would increase Inalum's assets to Rp 89.4 trillion (US$6.6 billion) from Rp 21.8 trillion in June after it takes PTFI's shares.

Inalum's total equity is also projected to soar to Rp 64.6 trillion from Rp 20.6 trillion, with a consolidated debt-to-equity ratio of 0.38 times.

By then, Fajar said, Inalum would be able to leverage its equity by up to three times to around Rp 194 trillion, an amount he said was more than enough to take over the remaining 41.64 percent in shares of PTFI.

Furthermore, the mining holding company plans to be more aggressive in acquiring various natural-resource assets nationwide.

Indonesia's state mining firms currently control only 7 percent of national coal resources and reserves, while the rest are dominated by private companies. The state miners also control 13 percent in the bauxite sector and 20 percent in the nickel and tin sectors.

"As stated in our work plan, we will enhance the volume of our coal reserves in the future, including through acquisition," Bukit Asam president director Arviyan Arifin said.

"If Bukit Asam stands alone, it might have limited financial capacity to aggressively acquire coal assets. It will be easier for us to do it after the consolidation."

Bukit Asam also plans to team up with Antam and Inalum to develop coal-fired power plants with a combined capacity of 1,000 megawatts (MW) at a total investment of around $1.5 billion within the next two years.

Considering its huge amount of coal reserves, Bukit Asam believes it can develop coal-fired facilities with a total capacity of 5,000 MW, which will be utilized, among other things, to support the operation of mineral processing facilities owned by its peers in the holding firm.

In another instance of synergy in the mining sector, Inalum is teaming up with Antam to jointly develop a smelter-grade alumina refinery (SGAR) in Mempawah, West Kalimantan, at an investment value of around $1.8 billion.

"Considering that Antam was in the most unfortunate financial situation compared to other state miners, we need to rely on Inalum's support for this SGAR project," Antam president director Arie Prabowo Ariotedjo said.

"As a mining holding firm, Inalum will be able to provide strong support for its subsidiaries as it currently has a strong cash position of $560 million."

As of September, the combined cash of Antam, Timah and Bukit Asam stood at $870.86 million.

Inalum's debt leverage to increase by three, four times after consolidation

Holding company to have larger capacity to acquire stake in Freeport Indonesia

## Why Holding?

The interim consolidated financial statements of state-owned mining holding firm with 9.36 percent shares of PT Freeport Indonesia (PTFI) as of June 2017

billion rupiah

| | Inalum | Antam | Bukit Asam | Timah | PT Freeport Indonesia | Inalum Holding+PTFI* |
|---|---|---|---|---|---|---|
| **Balance Sheet** | | | | | | |
| **Assets** | **21,894** | **30,247** | **18,670** | **10,141** | **141,688** | **89,409** |
| - Current assets | 9,364 | 9,643 | 8,325 | 5,763 | 22,076 | 33,004 |
| - Non-current assets | 12,531 | 20,605 | 10,345 | 4,378 | 119,612 | 56,405 |
| **Liabilities** | **1,217** | **12,373** | **6,689** | **4,457** | **51,366** | **24,736** |
| - Short-term liabilities | 1,031 | 5,472 | 3,519 | 3,545 | 9,190 | 13,567 |
| - Long-term liabilities | 186 | 6,901 | 3,170 | 912 | 42,176 | 11,169 |
| **Equity** | **20,677** | **17,874** | **11,981** | **5,684** | **90,322** | **64,673** |
| **Profit (Loss)** | | | | | | |
| Revenue | 2,502 | 3,011 | 8,967 | 4,301 | 21,294 | 18,781 |
| **Operating Profit (Loss)** | **584** | **(231)** | **2,477** | **329** | **6,576** | **3,160** |
| **Profit (Loss) Before Tax** | **690** | **(479)** | **2,475** | **239** | **6,709** | **2,924** |
| **Profit (Loss) for the Period** | **527** | **(496)** | **1,747** | **151** | **4,402** | **1,929** |
| **EBITDA** | **800** | **39** | **2,833** | **570** | **9,992** | **4,599** |
| **Ratio** | | | | | | |
| Current ratio (x) | 9.08 | 1.76 | 2.34 | 1.63 | 2.40 | 2.43 |
| Debt-to-equity ratio (x) | 0.06 | 0.69 | 0.56 | 0.78 | 0.57 | 0.38 |
| Return on equity (%) | 2.55% | -2.78% | 14.58% | 2.65% | 4.87% | 2.98% |
| Return on assets (%) | 2.41% | -1.64% | 9.36% | 1.49% | 3.11% | 2.16% |
| Gross profit margin (%) | 35.26% | 4.47% | 37.30% | 14.65% | 34.68% | 26.58% |
| Net profit margin (%) | 21.08% | -16.48% | 19.20% | 3.50% | 20.67% | 10.27% |
| EBITDA margin (%) | 31.98% | 13.18% | 31.59% | 13.25% | 46.92% | 24.49% |

*In line with the ownership portion in PTFI and its book value

Source: SOE ministry

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# Consolidating state companies

It is encouraging to learn that the government will accelerate the reform of state-owned enterprises (SOEs) by consolidating SOEs in similar business lines. Two holding companies are expected to be established before the end of this year: one for SOEs operating in mining and the other for oil and gas industries. Four more holding companies are to be set up next year in financial services, public housing, construction and toll road development.

While not a great feat in itself, if this small target is achieved, it will still be rather impressive, because over the past 19 years only two holding companies — in the fertilizer and plantation industries — have taken shape. Then-president Soeharto merged two state-owned cement companies into PT Semen Gresik in 1995, but only after 2012 was it able to operate as a holding company under the new name PT Semen Indonesia.

That shows how challenging the consolidation effort is, mainly because of opposition from vested interest groups in the bureaucracy and at the House of Representatives that wish to keep SOEs as their cash cows. President Joko "Jokowi" Widodo has, however, given SOE Minister Rini Soemarno a strong mandate to push ahead with the consolidation process.

Most analysts agree that consolidating SOEs operating in similar business lines into holding companies will improve efficiency, create stronger synergy in production, marketing, procurement and financing and strengthen internal control.

The objective of the whole consolidation is to eventually streamline SOEs, so that their total number could be slashed from more than 150, including subsidiaries, at present. If the program succeeds, the SOE Ministry will no longer be necessary. In its place, we would have at the most a dozen holding companies, like Temasek in Singapore and Khazanah in Malaysia.

Certainly, the consolidation effort requires a set of corporate actions, such as due diligence on the holding companies' formation and structure, benchmarking holding companies to similar corporations at the global or regional level and new tax audits etc. The government also should see to it that the new structure would not lengthen decision-making processes, thereby rendering SOEs less able to adjust to changing environments. Holding companies should not maintain virtual monopolies or oligopolies at the expense of sound competition.

But the most sensitive and daunting aspect of the process is to convince politicians and trade unions of the gains of the reform, explaining that employees would also benefit, as SOEs managed and supervised under holding companies would be more efficient and competitive than ever before in the domestic and global market.

Such a persuasive campaign is needed, because consolidation, like most reforms, always initially has destabilizing impacts, as redundant employees and complacent managers at inefficient companies are afraid of losing jobs, and many senior officials with political power over SOEs are worried about losing their cash cows.

What we badly need is the consistent leadership of President Jokowi to maintain a strong and broad legal and political framework for the reform process and provide clear-cut guidelines and transparency in structuring the holding companies.

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MINING

# RI has 'no clear structure' for Freeport deal

**Reuters**
JAKARTA

Indonesia's Ministry of State-Owned Enterprises, tipped to oversee an acquisition of a majority stake in the local unit of Freeport-McMoRan Inc, has "no clear structure" yet for the deal, a ministry official said on Friday.

Under a framework agreement announced in August, Phoenix, Arizona-based Freeport said it would divest 51 percent of PT Freeport Indonesia (PT-FI), but there has been little progress since then.

Freeport, operator of Grasberg, the world's second-largest copper mine, also agreed to build a second smelter in Indonesia and to invest up to US$20 billion in expansions.

Fajar Harry Sampurno, the deputy minister for state-owned enterprises, said it was not clear yet what role state pension funds and state-owned banks would play in financing the acquisition, amid ongoing discussions on the matter with the Ministry of Finance and Freeport.

Sampurno added that the interests of Rio Tinto, which is a joint-venture partner with Freeport in Grasberg, still needed to be factored into government plans to acquire a 41.64 percent stake in Freeport Indonesia, which would add to the 9.36 percent it already holds.

"This needs to be discussed again, whether [Rio's interest] is converted into shares first, whether Inalum will acquire it first, or what," he said. It is not yet clear whether the government plans to impose on Rio the same majority divestment requirement it imposed on Freeport.

State-owned aluminum producer PT Inalum has been appointed by the government to acquire the Freeport stake, and plans to form a holding company under Inalum for that purpose, which is expected to be carried out this week or early next, Inalum Finance Director Oggy A. Kosasih said during a press conference with Sampurno outlining the formation of the holding company.

The company would group together other state-owned mining units including PT Bukit Asam Tbk, PT Timah Tbk and PT Aneka Tambang Tbk (Antam).

Under a joint venture formed in 1996, Rio has a 40 percent interest in PT-FI's Grasberg contract, which entitles them to a 40 percent share of all production after 2022. Rio has held talks with Indonesia about a possible exit to the venture.

A spokesman for Freeport Indonesia could not be reached for comment on Friday. A Melbourne-based spokesmen for Rio Tinto declined to comment on the matter.

While the plans for Indonesia's purchase remains unclear, Freeport and the government appear to be closer to reaching an understanding on a valuation method for Grasberg. Indonesia had earlier maintained that the stake should not include the value of unmined reserves while Freeport has said "fair market value" should include the reserves.

On an Oct. 25 call discussing Freeport's earnings, Chief Executive Officer Richard Adkerson said the Indonesian government had indicated that fair market value is the right standard "and now we've got to negotiate what that fair market value is."

Meanwhile, the security situation at Grasberg remains tense amid several recent shootings. In the latest incident on Friday, a group of six unknown assailants shot at three police officers driving in a vehicle near the mine, though none of them were injured, the local police said.

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DIVESTMENT

# Govt woos Rio Tinto to seal Freeport deal

Viriya P. Singgih
THE JAKARTA POST/JAKARTA

The government is preparing to make a detour from its course to acquire gold and copper miner PT Freeport Indonesia (PTFI), in which it might have to persuade Anglo-American miner Rio Tinto to sell its participating interest in Papua's Grasberg mine, the world's largest gold and second-largest copper mine.

Talks between the government and PTFI, the local unit of United States-based mining giant Freeport-McMoRan (FCX), have gone nowhere over the latter's future operation in the country. It recently extended the negotiation deadline until next January following the failure of the two parties to settle by the initial October deadline.

The government has demanded that FCX increase Indonesian ownership in PTFI to 51 percent from the current 9.36 percent, among other conditions, in return for the extension of PTFI's operating permit, slated to expire in 2021.

State-Owned Enterprises Ministry deputy for mining strategic industries and media affairs, Fajar Harry Sampurno, confirmed that it was considering obtaining Rio Tinto's participating interest to seal the deal.

"We are still negotiating the arrangements. There are some very technical issues that need to be addressed, especially considering the agreement made between Rio Tinto and FCX in the 1990s," he said recently.

FCX and Rio Tinto established in 1996 an unincorporated joint venture, paving the way for the latter to control 40 percent interest up to 2022 in certain assets and future production of Grasberg's Block A, where PTFI's proven and probable reserves and all of its mining operations are located. Rio Tinto also has an option to get 40 percent interest in all production from Block A after 2022.

Sammy Hamzah, the non-executive director of Rio Tinto Indonesia, previously told *The Jakarta Post* that it might walk out of the joint venture as the government's flip-flop policy in the sector had negatively affected the country's investment climate. Rio Tinto also reported in January that it did not have any production from Grasberg since 2014, when its share was a mere 7,700 tons of copper.

Fajar said the government was still discussing whether the 40 percent interest would be converted into shares and if state-owned aluminum producer PT Indonesia Asahan Aluminium (Inalum) could take over in advance.

It recently issued a regulation as the legal basis for Inalum to soon become a mining holding company overseeing three state miners, namely PT Aneka Tambang (Antam), PT Timah and PT Bukit Asam. Through the regulation, the government will also transfer its 9.36 percent shares in PTFI to the aluminum producer. The establishment of the mining holding firm will jack up Inalum's assets to an estimated Rp 89.4 trillion (US$7.28 billion) by taking into account 9.36 percent of PTFI's shares.

The remaining 41.64 percent shares to be taken over from PTFI are estimated to be worth around Rp 110.6 trillion.

Previously, Energy and Mineral Resources Minister Ignasius Jonan said Rio Tinto had opened up a chance to sell its interest option in Grasberg for $3.5 billion.

Recapital Securities analyst Kiswoyo Adi Joe said it might be less costly for the government to buy 40 percent of PTFI from Rio Tinto through the conversion of the company's interest into shares. However, he noted that "if PTFI releases Rio Tinto's shares portion through a rights issue, the government's 9.36 percent ownership will also be diluted," forcing it to renegotiate the remaining targeted shares.

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# Jokowi scores high rating despite challenges: Survey

Safrin La Batu
THE JAKARTA POST/JAKARTA

Jokowi remains most popular among voters

Survey reveals economy Jokowi's biggest challenge

President Joko "Jokowi" Widodo sits comfortably at the top, according to a survey, as his approval rating and electability remain high, despite a gap between the two that might push him to work harder to gain more votes in the 2019 presidential election.

In a survey conducted by Poltracking Indonesia released on Sunday, 68 percent of 2,400 respondents said they were satisfied with Jokowi's performance three years into office.

From the respondents interviewed on Nov. 8 to 15, 22.4 percent said they were either less satisfied or not satisfied at all with the former furniture businessman, who began his political career as mayor of Surakarta, Central Java.

"An approval rating above 60 percent is considered high," Poltracking Indonesia executive director Hanta Yudha said during the release of the survey's results in Central Jakarta.

The high approval rating also boosted Jokowi's electability, which stood at 53 percent, making him the potential front-runner in the 2019 election. Potential rival candidates include Prabowo Subianto, the Gerindra Party chief patron who ran against Jokowi in the 2014 presidential election. Prabowo's electability stood at 33 percent, according to the survey.

Hanta explained that despite Jokowi's strong electability, there was a 15 percent gap between his approval and electability ratings, meaning people may be satisfied with his performance, however, might not vote for him.

"Jokowi has to capitalize on his high approval rating and get all the people satisfied with his performance to vote for him," he said.

Jokowi generally scored high among voters in three sectors, namely education, health and defense. Sixty-seven percent of respondents say the president has improved education and health, while 57.6 approved of his performance in the defense sector.

Meanwhile, when asked specifically about the areas in which the biggest improvements were made by Jokowi's administration, 69 percent of respondents said he had been the most successful in developing infrastructure. Meanwhile, 57 percent said the biggest improvements were seen in bureaucracy and 56 percent believed he had been most successful in maintaining religious harmony. Jokowi's administration has been ambitiously promoting tolerance and diversity over the past year amid rising conservatism and a polarizing 2017 Jakarta gubernatorial election.

However, Hanta added that the pollster showed that his biggest challenge was the economy, with 46.5 percent of respondents claiming the President had succeeded and an equal percentage of respondents saying he failed in the sector. Forty-nine percent of respondents said Jokowi failed to create more jobs, as compared to 34 percent that said he had been successful in tackling unemployment issues. Also, 48 percent of respondents said Jokowi failed to maintain affordable prices of basic commodities.

Another issue that could potentially harm Jokowi's chances for reelection is the ongoing dispute within the Golkar Party, one of his main party backers. His ally, embattled Golkar chairman and House of Representatives Speaker Setya Novanto, was recently renamed a suspect in the high-profile e-ID graft case by the Corruption Eradication Commission (KPK). Amid strong calls to replace him, the party might change its position to stand behind the President in the upcoming election.

"If the [Golkar] issue is prolonged, this can become an electoral burden for Jokowi," Hanta said.

However, Golkar executive chief Nurdin Halid reiterated his party's plan to back Jokowi in the election, as his party was focused on helping him deliver programs that could boost his electability.

Responding to the survey's findings, Ahmad Muzani, the secretary-general of Gerindra, said the situation could change considering various factors.

"Survey results can still change, especially with challenges and dissatisfaction in the economic sector," Ahmad said.

Similar results were found in a survey conducted by the Centre for Strategic and International Studies (CSIS) in September, with Jokowi's approval rating standing at 68 percent and electability rating at 50 percent. Another pollster, Saiful Mujani Research and Consulting (SMRC), released in its survey last month that Jokowi's approval rating stood at 68 percent, while his electability rating reached 38.9 percent.

Nov. 27. 2017
J. Post

## KPK to question 14 in Setya's graft case

**JAKARTA:** The Corruption Eradication Commission (KPK) is scheduled on Monday to question Golkar Party politicians and experts as witnesses for Setya Novanto in the e-ID graft case

The House of Representatives speaker and Golkar party chairman submitted a list of 14 people he had chosen as mitigating witnesses to be questioned by KPK investigators.

They include nine Golkar politicians, four legal experts and one constitutional law expert, said KPK spokesman Febri Diansyah.

Febri declined to provide the names of the 14 witnesses Setya had suggested, saying only that two of them had previously been questioned in connection to e-ID graft case.

The questioning of witnesses proposed by a suspect is part of the antigraft body's mechanism to respect and ensure the suspect's legal rights, Febri explained.

"A suspect or a defendant has the right to propose witnesses who can provide information that could help him or her in a case," Febri told *The Jakarta Post.*

The antigraft agency named Setya a suspect in the e-ID graft case for the second time on Nov. 10.

The lawmaker won a pretrial motion against the KPK in late September, clearing him as a suspect in the case. —*JP*

Nov. 25. 2017
J. Post.

# Sketches of Novel's attackers revealed

JAKARTA: After months of stalled investigations, the Jakarta Police have released sketches of two men alleged to be involved in the acid attack against graft buster Novel Baswedan.

Jakarta Police chief Insp. Gen. Idham Aziz said these sketches were the result of a collaboration between Jakarta Police investigators, a team from the Australian Federal Police (AFP) and the National Police's Indonesia Automatic Fingerprint Identification System (Inafis) division.

The latest development was also based on an analysis of CCTV footage of the area surrounding the crime scene, which is located near Novel's house.

"We suspect that these two men were involved in the acid attack against Novel Baswedan," Idham said in a joint press conference with the Corruption Eradication Commission [KPK] on Friday as reported by *kompas.com*.

The Jakarta Police have opened a 24-hour hotline — 0813-98844474 — for anyone with information related to the sketches.

The police have been under fire for failing to resolve Novel's attack, which occurred in April and caused severe injuries to his left eye. —*JP*

Nov. 27, 2017
J.Post

POLITICAL PARTY

# New Golkar leadership imminent

**Nurul Fitri Ramadhani and Safrin La Batu**
THE JAKARTA POST/JAKARTA

As critics continue to point out the adverse consequences the Golkar Party may suffer from Setya Novanto's alleged involvement in the e-ID graft case, internal dynamics indicate that a new leader is about to rise to replace the embattled chairman.

The Corruption Eradication Commission's (KPK) move on Nov. 10 to rename Setya a suspect in the case has only exacerbated Golkar's declining electability — mere months before the 2018 regional elections are slated to take place and less than two years ahead of the 2019 legislative and presidential elections.

It is likely that Setya, who is also House of Representatives speaker, will no longer have time to lead the party, given mounting internal pressures for his removal following his arrest by the KPK.

"There is no other option for Golkar. We have to hold an extraordinary national meeting [munaslub] and elect a new leader to boost the party's electability. We have no other choice," Golkar executive chairman Nurdin Halid said on Sunday.

For Golkar, the country's oldest and second-largest political party, a tug of war between elites for a top post may be normal.

Golkar elected Setya as chairman in a munaslub in May last year, after which it threw its support behind President Joko "Jokowi" Widodo. The newly elected chairman then consolidated two rivaling factions in the party, which had been suffering from a year-long rift.

Divided into two camps led by senior politicians Aburizal Bakrie and Agung Laksono, with both holding separated extraordinary congresses to claim their seat as chairmen, Golkar was at its lowest point at the time — until it reunited under Setya's leadership.

More than a year on, however, Setya would stand accused of playing a significant role in the embezzlement of funds meant for the e-ID card procurement project, which caused an estimated Rp 2.3 trillion (US$172 million) in state losses.

With his attempts to escape the legal process, Setya has lost the internal support he gained in last year's munaslub.

Refusing to give up his chairmanship, Setya filed on Nov. 15 a pretrial motion against the KPK's decision to rename him a suspect. The pretrial hearing is scheduled to start on Nov. 30.

He has delegated his duties as chairman to the party's secretary-general, Idrus Marham.

Whether or not he wins the pretrial motion will not significantly impact the party's central executive board's move to schedule a munaslub, as leaders of Golkar's provincial branches (DPD I) have pushed it forward.

According to party regulations, DPD I from across 34 provinces hold the right to determine when and if an extraordinary national meeting should take place.

Golkar's executive board members held a closed-door meeting on Saturday evening with all DPD I leaders, who unanimously called for a munaslub, senior party politician Nusron Wahid said after the gathering. He added that the munaslub would likely be held before Dec. 15 in Jakarta.

Several top Golkar members are reportedly eyeing the chairmanship, particularly Idrus and Industry Minister Airlangga Hartarto, who is considered close to Jokowi, he went on.

"Airlangga has more support. He is more dominant in the grassroots level. Another name is Idrus [in the running]. But to be honest, whatever it takes, we want a consensus in appointing a new chairman," Nusron said, adding that the new leader would play a role in determining Setya's replacement as House speaker.

Lawmaker Bambang Soesatyo, Zainudin Amali and Aziz Syamsuddin have been mentioned as top candidates to fill the post.

Idrus, known as a Setya loyalist, pointed out that a munaslub could not be held on such short notice; a plenary meeting and a national leadership meeting should precede a national congress, as stipulated by party regulations.

He did not deny that holding a munaslub was unavoidable.

"It doesn't matter that there will be [a change in Golkar's leadership], as long as we follow regulations. I want every member of the management board to follow the system and proper steps. If we want a munaslub, then we have to follow the steps."

Political communications expert Hendri Satrio of Paramadina University said a munaslub was the best way out for Golkar, and would be a test for Setya to show his concerns for the party.

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# Hutchison halts investment amid legal issues

**Farida Susanty**
THE JAKARTA POST/HONG KONG

HPH to postpone new investment amid KPK investigation into possible wrongdoing in concession extension

Concession extension incited backlash from JICT employees

Hong Kong-based global port operator Hutchison Port Holdings (HPH), which operates the busiest container terminal in Tanjung Priok, North Jakarta, signaled that it will hold back on its expansion and investment plans in Indonesia amid unfinished legal issues surrounding its contract extension.

The Corruption Eradication Commission (KPK) is currently processing its reports on possible foul play in the extension of HPH's concession in 2014 with state port operator Pelindo II for the operation of Jakarta International Container Terminal (JICT), also a joint venture between the two companies.

The Supreme Audit Agency (BPK) found indications that the contract extension, signed earlier than the contract expiration in 2019, has caused Rp 4.08 trillion (US$302.1 million) in state losses.

BPK also found that Pelindo II did not apply for government approval or a permit for the concession extension, including from the Transportation Minister and State-Owned Enterprises Minister. This led to the government's decision to postpone the contract ratification.

HPH Group managing director Eric SC Ip stated that so far, the government has not followed through with certain aspects of the new concession agreement.

"If we can settle in Jakarta, we only promise the minister that we'll look for other opportunities. The thing is that if you cannot solve Jakarta, which is our core investment in the country, then we will not go to other smaller projects," he said.

The company also operates and invests in a nearby terminal in Tanjung Priok, Koja Terminal. So far, official company data shows that HPH investment in Jakarta in both JICT and Koja Terminal comes to a total of $450 million, with the investment in JICT reaching $330 million and Koja at $120 million.

JICT, which has been jointly operated by HPH and Pelindo II since 1999, houses more than half of the country's export and import traffic, with the capacity to handle more than 3 million twenty-foot equivalent units (TEUs) annually.

The company boasted that it has an advanced operating system and invested in new equipment to boost the effectiveness of the terminal's operation.

"We have made some further investment commitment under the new concession agreement terms. Once we resolve the outstanding matters we will do what we have promised to do," he said, without elaborating on the details of the investment commitment.

Under the agreement, Pelindo II increased its stake in JICT to 51 percent from 49 percent, and HPH will have to pay $250 million in advance to Pelindo II.

Pelindo II, which sought to expedite the construction of Kalibaru Port in North Jakarta, has also raised HPH's rent from $60 million to $120 million per year.

However, the signing incited backlash from JICT employees, who staged several protests, demanding the annulment of Pelindo's decision to award a contract to Hutchison. In August, more than JICT 650 workers went on strike in Tanjung Priok to demand a fairer annual bonus, which was allegedly cut after the contract extension.

The union reported that they only received a total of Rp 47 billion in bonus for all employees last year, which was a 42.5 percent decrease compared to Rp 82 billion in 2015, despite a 4.6 percent increase in revenue in 2016.

Even so, the bonus is also based on 7.8 percent of the company's profit before tax (PBT), while the company's PBT was down 33.3 percent from $66.3 million in 2015 to $44.2 million in 2016.

Commenting on the matter, JICT workers union secretary general M. Firmansyah said that the union in principle is not against foreign investment.

"But the investment should go through the right procedures, [have a] reasonable price and [benefit] all parties," he said.

The union workers submitted additional documents to the KPK last week to aid its investigation.