

Agung blows hole in govt tourism plans

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THE JAKARTA POST/JAKARTA

Indonesia may miss its target of attracting 15 million foreign visitors this year, as heightened seismic activity at Mount Agung in Bali has already begun to impact tourism.

Should the figure fall short, this would be the third year in a row the archipelago has failed to meet its mark.

Industry players are anticipating the worst after authorities closed I Gusti Ngurah Rai International Airport in Denpasar for 24 hours on Monday, amid warnings of a large eruption.

Mt. Agung had been spewing dark ash clouds for nearly a week when its activity intensified early Monday morning, prompting fears over the safety of thousands of air travelers.

As of Monday evening, state-owned airport operator PT Angkasa Pura estimated that 445 flights to and from Bali had been canceled, impacting around 89,000 passengers. Of these, 196 were international flights.

Didien Djunaedy, chairman of the Association of the Indonesian Tourist Industry (GIP), said that given the current situation, the government would likely see a 20 to 30 percent shortfall in its tourism target.

Bali welcomed nearly 5 million out of 11.5 million foreign tourists visiting Indonesia last year.

"We were at the finish line, and then unfavorable conditions

Foreign tourist target may fall short 23 to 30 percent

Minister urges tourist spots to step up, welcome stranded vacationers

arose," Didien said, adding that he initially expected up to 3 million inbound tourists in the last two months of this year.

The government has pushed for a concerted effort to raise the number of international tourists by 30.43 percent this year from 2016.

Last year, it targeted to draw in 12 million tourists, but only welcomed 11.5 million. In 2015, the target was set at 10 million visitors, but only 9.3 million arrived.

Through the January-September period of this year, Indonesia received 10.46 million tourists, up 25.05 percent from 2016, according to the Central Statistics Agency (BPS).

Didien said that despite the recent disrupted flights to Bali, the government could still make up for the loss of visitors by diverting tourists to increasingly popular destinations, such as Manado, North Sulawesi or other areas around Bali.

Mt. Agung's last major eruption occurred in 1963, claiming the lives of more than 1,000 people. Seismic activity continued for a year after.

Tourism Minister Arief Yahya conceded that the country might achieve 95 percent of its foreign tourist target by the end of this

year, at best.

"[This is] a hard time for tourism in Bali, Lombok [in West Nusa Tenggara] and Indonesia," Arief said.

Bali welcomes an average of 600,000 tourists each month.

"Bali is like our main [tourism] product. And then came this natural disaster," Arief said.

The minister has requested tourism-related businesses to offer a 50 percent discount, at least, on accommodation for affected tourists, especially those staying in Lombok.

He also urged tourist destinations, such as Banyuwangi in East Java, to take this opportunity and welcome vacationers who had been diverted from Bali.

Tjokorda Artha Ardana Sukawati, chairman of the Indonesian Hotel and Restaurant Association's (PHRI) Bali chapter, said the group had advised its 800 members to provide a free one-night stay to stranded tourists.

"We hope that they [incoming vacationers] won't just cancel their trips, but rather, postpone them," he said.

The group estimates that the industry may lose Rp 13 million (US\$961) from each tourist who canceled their visit to Bali. Some may fly to Lombok due to the eruption, adding to the 4,000 tourists who travel from Bali to Lombok daily under normal circumstances, Tjokorda said.

Meanwhile, the airport authority reopened Lombok International Airport on Monday after

closing it all through the weekend, which affected some 2,900 passengers.

Angkasa Pura I announced that it has provided alternative airports for flights diverted from Bali, including Lombok International Airport; Juanda International Airport in Surabaya, East Java; Sultan Hasanuddin International Airport in Makassar, South Sulawesi; and Adisutjipto International Airport in Yogyakarta, among others.

MANPOWER

Firms with vocational programs, R&D centers may get incentives

Stefani Ribka

THE JAKARTA POST/JAKARTA

When major industrial park developer and steelmaker Indonesia Morowali Industrial Park (IMIP) started its business in Central Sulawesi four years ago, finding suitable local recruits as machine operators or construction engineers was a struggle, and the firm had no choice but to welcome Chinese workers into the remote area, IMIP CEO Alexander Barus has said.

The difficulty in finding skilled workers amid rising investment is no secret among businesspeople operating in Indonesia, and it has become one of the government's major concerns. The latter has since started discussing the notion of launching a series of tax incentives for vocational programs to motivate the private sector to improve human resources and productivity.

The government aims to raise Indonesia's ranking in the Global Competitiveness Index (GCI) from the current 36 out of 137 countries.

"[To improve the ranking] we'll just need to look at what we're weak at. The Health and Primary Education as well as Labor Market Efficiency [categories] are the key factors. We're still number 94 in Health and Primary Education and 96 in the latter," Industry Minister Airlangga Hartarto told a seminar held by Indonesia Chamber of Commerce and Industry (Kadin) on Monday.

The ministry is now proposing that the Finance Ministry provide tax discounts for companies that invest in vocational training programs — such as building their own polytechnics — and research and development, as well as for labor-intensive export-oriented firms.

The proposed discount on taxes for companies providing vocational training should be double

the size of investment poured into the program, while the tax discount for firms developing research and development centers should be triple the size of investment. Incentives for labor-intensive export-oriented firms should be based on the number of workers. Airlangga hopes the incentives will be approved by the first quarter of 2018.

Currently, the government helps businesspeople source employees from certain vocational high schools (SMK) under the Link and Match Program, which has involved more than 500 companies and 1,300 SMK in Java since it was launched in February. The program encourages firms to help develop the education systems at the schools and improve their workshop equipment.

The government hopes to certify 1 million workers with specific skills under various programs, including the Link and Match Program, by 2019.

Kadin vice chairman for industry Johnny Darmawan said

human resources in Indonesia needed a serious boost because of low educational levels and relatively lower productivity compared to neighboring countries.

Less than 9 percent, 11.1 million workers, of the Indonesian workforce have a university degree; more than 16 percent (20.6 million) have either not completed elementary school or have never been to school; 67 percent of them are from rural areas, an International Labour Organization (ILO) report in 2016 stated.

Non-amnesty taxpayers on govt's radar

NOV. 27, 2017
J. Post

Prima Wirayani

THE JAKARTA POST/JAKARTA

The government is now focusing on taxpayers who did not join its flagship tax amnesty, but has given them the leniency to report their undeclared assets for a limited time and without penalties.

Article 18 of the 2016 Tax Amnesty Law stipulates that undeclared assets of the program's non-participants can be categorized as additional income and thus subject to prevailing tax laws, as long as they are found by taxmen before June 2019.

However, the Finance Ministry's Tax Directorate General recently softened its stance by allowing taxpayers to declare and report their assets, and pay a final income tax (PPh Final).

With such a narrow time window, the tax authority will focus its attention on taxpayers who did not join the tax amnesty by issuing investigation letters, said Yon Aرسال, tax directorate general of revenue and compliance.

"However, we will continue to process all taxpayers as long as the data is there," he told reporters on the sidelines of a press briefing on Monday.

Yon claimed his office had the names of 786,163 taxpayers — 2 percent of whom took part in the tax amnesty — with suspected unreported assets worth of around Rp 12 trillion (US\$887.9 million), mostly in the form of property, vehicles and stocks.

The data came from 67 private and government institutions that are required by law to regularly share tax-related information.

The tax office then shares the data with its regional offices, which will follow up on any relevant information.

"We also look at other data, such as ownership of yachts and any other luxurious assets," Yon said. "Local tax offices are also working on the data they found themselves."

Such information has led to the issuance of around 1,500 instruction letters for an investigation, Tunjung Nugroho, the Tax Director General's sub-directorate head of examination plan-

Taxmen to investigate taxpayers who skipped tax amnesty

Private, govt institutions required to relinquish tax-related information

ning, said during Monday's briefing.

"Around 200 investigations have been completed, resulting in more than Rp 300 billion in [income tax] payments," he said.

"We still encourage people who didn't join the tax amnesty to declare [their assets]."

On the other hand, the tax office has an unlimited amount of time to investigate tax amnesty participants, who are allowed to pay their final income tax before their assets are discovered by tax officers, Tunjung said.

Should tax officers find the hidden assets of tax amnesty participants, the latter are required to pay a 200 percent penalty.

The tax amnesty program, which ran from July 2016 through March this year, offered leniency to declared and repatriated assets by applying relatively low penalty rates of between 2 percent and 19 percent.

The program shed light on Rp 4.86 quadrillion worth of assets, Rp 147.1 trillion of which would be brought back into the country by the end of this year.

The government also collected Rp 114.2 trillion in penalty payments, a far cry from the targeted Rp 165 trillion. Some 965,000 taxpayers participated in the program, from the targeted 2 million.

In its recently relaxed regulation, the government stated that any declared assets would be subject to a final income tax of 25 percent for institutions, 30 percent for individuals and 12.5 percent for select taxpayers, such as small and medium enterprises (SMEs).

These rates are far more specific than existing personal income tax rates of between 5 percent and 30 percent, and corporate income tax rates of between 20 percent and 25 percent.

Jokowi expands program to replant oil palm trees

Apriadi Gunawan

THE JAKARTA POST/SERDANG
BEDAGAI

President Joko "Jokowi" Widodo announced on Monday the government's oil palm-replanting program for smallholders in Serdang Bedagai regency, North Sumatra, one month after he launched a similar program in South Sumatra.

He admitted many oil palm trees in plantations owned by local people in Indonesia were old, causing a decline in productivity. Hence, they must be immediately replanted. "The productivity of oil palm plantations of our local communities is just a half, or even a third, of those belonging to pri-

ivate companies. They are in need of replanting," said Jokowi, as he held a dialogue with local farmers on the sidelines of the launch of the oil palm replanting program in Dolok Masihul district, Serdang Bedagai.

The program's launch was marked by the planting of an oil palm tree by the President.

North Sumatra is the second province to take part in the replanting program for smallholders that was initially launched in South Sumatra on Oct. 13.

According to official data, the government's replanting program covers around 4.6 million hectares across the country.

In North Sumatra, oil palm plantations to be replanted cover

9.1 million ha, located in 12 regencies. They are Asahan, Batubara, Central Tapanuli, Deli Serdang, Labuhan Batu, Langkat, North Labuhan Batu, North Padang Lawas, Padang Lawas, Simalungun, Serdang Bedagai and South Labuhan Batu.

Jokowi said replanting thousands of hectares of oil palms needed a large budget. The President said he had ordered Coordinating Economic Minister Darmin Nasution to deliver oil palm replanting programs to local farmers so that the yield could exceed those produced by private companies.

Jokowi said smallholder production amounted to less than 10 tons per year or three times

smaller than corporate-owned oil palm plantations.

The President said the government had allocated Rp 3 trillion (US\$222.14 million) to finance the program for smallholders. The government is also partnering with the banking sector to get financial support for the program.

"The replanting program will be conducted in all provinces. The government has prepared the funds, but the thing we should remember is we are talking about oil palm plantations for smallholders," said Jokowi.

The government will also provide certificates for the owners of the oil palm land. The land-certification process will be handled by Agrarian and Land Spatial

Planning Minister Sofyan Djalil.

"We will issue certificates for their plantations as long as they are located on production forests or forests that can be converted," said Jokowi, who took an opportunity at the event to hand over around 500 land certificates to Serdang Bedagai farmers.

Suparno, a farmer in the regency, said he did not have enough money to replant his oil palms. He said the trees on his 2-ha plot had never been replanted so their productivity continued to decline.

"I get only a ton of fresh fruit bunches of oil palm per month," said Suparno.

Jokowi suggested Suparno immediately replant oil palm trees on his land. "Normally, oil

palms on 2 ha of land can produce around 30 to 40 tons of fresh fruit bunches of oil palm per year. That's why the trees must be immediately replanted so that their productivity can increase again," said Jokowi.

North Sumatra Governor Erry Nuradi said 430 out of a total 1.3 million ha of oil palm plantations in the province belonged to small farmers, with North Sumatra being the second-largest oil palm producer in Indonesia after Riau. Indonesia has a total 11.6 million ha of oil palm plantations.

"It has always been the provincial government's top commitment to increase the production capacity of our smallholder oil palm plantations," said Erry.

FOSSIL FUEL

Electric cars give hope amid rising oil imports

Viriya P. Singgih

THE JAKARTA POST/JAKARTA

The need to increase the use of electric vehicles has become even more urgent in order to reduce Indonesia's skyrocketing dependence on fossil fuel, which if it persists, will turn the country into the world's top oil importer within the next decade.

Indonesia's oil production has dwindled to around 785,000 barrels of oil per day (bopd) in mid-October from nearly 1.3 million bopd in 2003 due to the lack of new oil reserve discoveries in the past decade. The situation has forced the country to import more than half of its demand of 1.6 million bopd.

The Upstream Oil and Gas Regulatory Special Task Force (SKKMigas) has previously projected that oil imports would increase to 1.49 million bopd by 2020, and 2.64 million bopd in 2030.

"If we let this continue, oil imports might reach more than 1.4 million bopd within the next 10 or 20 years," Energy and Mineral Resources Minister Ignasius Jonan said recently.

"That's why we are trying to increase the use of electric vehicles by making them more affordable for the public."

The government is currently drafting a presidential regulation (Perpres) to boost the country's electric vehicle industry, in line with its plan to produce 2,200 electric cars and 2.1 million electric motorbikes by 2025.

As the government aims to fully ban the sales of fossil-fueled cars in the country by 2040, automotive industry players have demanded the government provide several fiscal incentives, including exemptions from import duty and luxury tax (PPNBM) for the import of completely knocked-down (CKD) electric cars.

Industry Minister Airlangga Hartarto has also shared similar concerns, as he said fiscal incentives were needed to expedite the development and commercialization of electric vehicles.

"Actually, local manufacturers have the technology to develop

electric cars. But without fiscal incentives, the price of such cars can be 30 percent higher compared to regular [fossil-fueled] cars as they need to use double engines," Airlangga said.

For example, he continued, the government could give incentives for investors willing to develop a research and development center for electric motorbike components, batteries and power control units as well as for businesses with high local industrial content (TKDN).

Airlangga said the ministry had coordinated and discussed this matter with the Finance Ministry, while hoping the discussion would come to a conclusion before year-end.

Meanwhile, Coordinating Maritime Affairs Minister Luhut Pandjaitan has met with Korean Ambassador to Indonesia Cho Tai-young to discuss a possible joint development of a lithium-ion battery for electric cars.

The Industry Ministry aims to see 400,000 low carbon emission vehicles (LCEV) enter the Indonesian market by 2025 with a 25 percent share in the automotive industry, which, if realized, will be a big boost to the country's efforts to reduce fossil fuel consumption.

State-owned energy giant Pertamina previously stated in July that its crude imports amounted to around 400,000 bopd, costing the company about US\$20 million per day.

Pertamina has calculated that it will need to import 36 million barrels of gasoline with a research octane number (RON) of 92 for its Pertamina product and 62 million barrels of RON 88 gasoline for its Premium product for the whole year.

This would see imports of RON 92 gasoline increase by 44 percent compared to last year, while imports of the RON 88 type would drop by 15.8 percent, in line with people's growing appetite for higher quality fuel.

However, BP Group chief economist Spencer Dale previously said reducing the number of fossil fuel vehicles would only affect oil consumption in a minor way as globally transportation

makes up only around 20 percent of the global oil consumption of around 95 billion bopd. BP has estimated there are currently 1 billion cars around the world, only 2 million which are electric cars.

The number of cars is expected to double globally, mostly because of developing countries like Indonesia and China, as increasing prosperity is expected to lead to a shifting from the low-to middle-income group.

Extra work for KPK on Setya's mitigating witnesses

Kharishar Kahfi
THE JAKARTA POST/JAKARTA

Corruption Eradication Commission (KPK) investigators are continuing to work on completing the dossier on graft suspect Setya Novanto before a decision is made on the latter's pretrial challenge to his being named a suspect.

The KPK has the extra job of questioning witnesses as requested by Setya, the House of Representatives speaker and suspended Golkar Party chairman.

Setya, through his team of lawyers, has submitted a list of 14 people — nine of them senior Golkar figures, including acting chairman Idrus Marham and five legal experts — he has put forward as witnesses that could help him in his case.

On Monday, the KPK granted his request and summoned 12 of the witnesses; the two other witnesses, — Golkar members Agun Gunandjar and Rudi Alfonso, — have previously been questioned.

But only Golkar deputy secretary general Maman Abdurrahman, lawmaker Azis Syamsuddin and constitutional law expert Margarito Kamis went to the KPK office to answer the summonses on Monday.

Setya's request for additional witnesses is regarded by analysts as a ploy to hinder the KPK's investigation into his alleged role in the e-ID graft case, which is reported to have caused Rp 2.3 trillion (US\$170 million) in state losses.

The absence of the nine witnesses and the fact that Idrus asked investigators to reschedule the questioning have also raised concerns that it could further prolong the KPK investigation.

Pressure has been mounting on the KPK to immediately complete the dossier and hand the case to the corruption court, which would automatically void Setya's pretrial motion challenging the antigraft body's decision to rename him a suspect. The first pretrial hearing is slated for Thursday.

KPK deputy chairman Saut Situmorang, however, insisted that Setya's request would not obstruct the investigation.

"Suspects have the right to



JP/Wendra Ajistyatama

Knock, knock: Golkar Party deputy secretary-general Maman Abdurrahman arrives at the Corruption Eradication Commission (KPK) for questioning in Jakarta on Monday. Maman was questioned as a witness in the e-ID corruption case, which implicated Golkar chairman Setya Novanto.

KPK summons 12 mitigating witnesses upon Setya's request

Fears move could hinder investigation, KPK dismisses such concerns

present statements from mitigating witnesses. It is our job whether to contest their statements," he said. "Don't worry, it won't hinder us. We already have our plan."

Setya's rights as a suspect to request the questioning of mitigating witnesses is laid out in Article 65 of the Code of Criminal Procedures.

Saut's comment was echoed by anticorruption activist Lalola Easter from Indonesia Corrup-

tion Watch (ICW), who said the KPK's granting of the request was in line with the principles of justice for suspects, despite it potentially hindering the investigation.

"It will be up to the prosecutors to put the witnesses' statements in the indictment against Setya," Lalola told *The Jakarta Post*.

She also, however, urged the KPK to work faster in resolving the e-ID graft case, saying "if the KPK already has enough evidence and statements to support their allegations against Setya, it shouldn't be hesitant about bringing the case to court."

Neither Maman nor Azis would comment on Monday's questioning, saying only that they went "to answer the KPK summons as mitigating witnesses for Setya."

It is rare for a suspect to present mitigating witnesses during a KPK investigation, although it is not the first time the antigraft body has received such a request.

In 2014, former secretary-general to the Foreign Ministry and graft suspect Sudjanan Parnohadiningrat asked then-former vice president Jusuf Kalla to testify as a mitigating witness in a KPK probe into the botched organization of international meetings between 2004 and 2005 that caused billions in state losses.

Kalla eventually answered the KPK summons, describing how such international conferences had in fact benefited the country.

The corruption court convicted Sudjanan and sent him to prison.

House under fire for plan to keep Arief on as justice

Nurul Fitri Ramadhani

THE JAKARTA POST/JAKARTA

The House of Representatives is under fire for planning to grant Constitutional Court (MK) Chief Justice Arief Hidayat a second term, with critics saying it might put the country's anticorruption agenda at stake.

Arief, who was appointed as one of nine justices in 2013 by the House, will finish his term of office at the end of March 2018.

The House, however, has set Arief up as the sole candidate for a confirmation hearing on Monday, which will allow them to grant him a second term to sit as one of nine justices at the MK — the final adjudicator of disputes on the interpretation of national laws.

A number of House factions aimed to keep Arief at the MK on the grounds that he was just re-elected to serve as the chief justice until 2020 in a consensus between the nine justices in July.

But several other factions, including the Gerindra Party and the Democratic Party, have demanded that Arief be replaced because he has yet to show any

House sets up Arief as sole candidate for confirmation hearing on Monday

Arief's term as chief justice set to end in March 2018

significant improvement. The reason to keep him at his post, however, may go beyond what the House has been claiming.

Arief, currently, is handling a judicial review case that will determine the fate of an ongoing House inquiry into the performance of the Corruption Eradication Commission (KPK).

Filed by some employees of the KPK to challenge the House's inquiry rights, the judicial review petition centers around the 2014 Legislative Institutions (MD3) Law, which outlines that institutions are subject to a political inquiry by the House.

Many believe that the inquiry was nothing but a thinly veiled attempt by lawmakers to weaken the antigraft body as it was launched shortly after the KPK opened an investigation into a

graft case implicating dozens of high-profile politicians.

On Monday afternoon, the House's Commission III overseeing legal affairs scheduled a fit and proper test for Arief, but later canceled it due to protests by several factions.

Commission III deputy chairman Desmond Junaidi Mahesa, from Gerindra, said an internal plenary meeting should have been held to discuss whether or not to extend Arief's tenure.

He also revealed that Arief and several factions in Commission III were currently on "a political barter" related to the judicial review petition. Currently, there are six factions that have representations in the inquiry team, including two main proponents of the inquiry, the Indonesian Democratic Party of Struggle (PDI-P) and the Golkar Party.

Most of the inquiry members also sit on Commission III. "The truth is [...] this is only about political bargaining," Desmond said.

Commission III member Arsul Sani, of the United Development Party (PPP), said the postponement was to give the public an op-

portunity to respond on the issue.

Indonesia Corruption Watch (ICW) said lawmakers have violated Constitutional Court law that mandates a transparent nomination of justice candidates and with public participation.

The ICW's Emerson Yuntho also questioned Arief's track record. For instance, the court ruled in favor of a judicial review filed by a convict in Probolinggo, East Java, which subsequently allowed the convicted candidate to participate in the simultaneous regional elections in July 2015.

In April 2016, the court's ethics council sanctioned Arief for sending a memo to the junior attorney general for supervision, Widyo Pramono, requesting special treatment for his relative in Trenggalek regency, who at that time was an attorney at the Trenggalek Prosecutors' Office in East Java.

"Under Arief, the court's internal monitoring has been weak, which is proven by a sting operation by the KPK that resulted in the arrest of former court judge Patrialis Akbar [in January this year]," Emerson said.

Nov-28-2017
J. Post

Mining SOEs to continue expansion

JAKARTA: State-owned enterprises (SOEs) of the mining sector have said they will continue business expansions and enhance collaborations with each other following the establishment of a new mining holding company on Nov. 29.

State-owned aluminum producer PT Indonesia Asahan Aluminium (Inalum) is set to become a holding company and will lead Indonesia's efforts to better manage its abundant coal and mineral resources, as well as spur growth in the domestic processing industry.

Diversified miner PT Aneka Tambang president director Arie Prabowo Ariotedjo said on Monday that the firm would still work with Inalum on the construction of a smelter-grade alumina refinery in West Kalimantan.

The new holding company would support the business expansion of its subsidiaries, he added.

"However, the support must go to feasible projects that must be [financially] viable to bring added values to both Antam and Inalum," Arie said as quoted by *kontan.co.id*.

Meanwhile, president director of tin producer PT Timah, Mochtar Riza Pahlevi Tabrani, said that Timah would join hands with other SOEs in its operation, citing possible support from Antam in the form of an exploration team and mining equipment. The tin miner now leases its equipment from a third party. — *Kontan*