

ECONOMY

# Lobby groups wary over 2018 prospects

Winnie Tang

THE JAKARTA POST/ JAKARTA

Two of Indonesia's most powerful business lobby groups are worried that the government's economic growth target for next year is unlikely to be met, as they remain concerned about regulatory inconsistencies, a lack of incentives and political instability.

The Indonesian Employers Association (Apindo) has forecast the economy to expand by between 5.05 and 5.2 percent next year, while the Chamber of Commerce and Industry (Kadin) has set a slightly more optimistic target of 5.2 to 5.3 percent.

The projections are below the government's gross domestic product (GDP) growth target of 5.4 percent.

"If there are no significant efforts made by the government, we expect that it will be difficult to even achieve 5.2 percent," Apindo chairman Hariyadi Sukamdani said on Tuesday.

Apindo was quite pessimistic about growth because after the third year of President Joko "Jokowi" Widodo's administration, there are still many *perda* (local regulations) that contravened central government regulations, and which caused trouble for businesses.

The group believes the Constitutional Court ruling prohibiting the central government from annulling regional bylaws will negatively impact the deregulation process and hinder investment as it will be harder for business players to challenge *perda* deemed harmful.

Apart from regulatory problems, rising political tensions next year as a result of upcoming simultaneous regional elections in 17 provinces, 39 cities and 115 regencies are expected to be a major concern as many firms will prefer to "wait and see" before expanding their businesses.

"We hope that issues regarding religion and race will not be exploited during the regional elections because they will affect business players' perceptions," said Hariyadi.

Apindo also believed that consumer spending — the biggest factor propelling economic growth — would continue to be under pressure next year as a result of declining job opportunities as more companies shifted to automation to cut costs and avoid employment difficulties.

Kadin, meanwhile, painted a more optimistic forecast with the economy being driven by stronger exports and higher investment.

Kadin chairman Rosan P. Roeslani cited rising prices for a number of commodities, such as coal and palm oil, as a trigger that could accelerate growth next year.

"Improved commodity prices will certainly boost export earnings," he said.

Rosan said the retail sector would still expand although the growth would slow down because of the changes in consumer purchasing behavior.

Recently, big retail firms such as Matahari Department Store and Lotus Department Store have shuttered branches, partly as a result of the growth of e-commerce in Indonesia.

Center of Reform on Economics (CORE) Indonesia executive director Mohammad Faisal said that next year, e-commerce would accelerate despite its relatively small contribution to the overall economy.

"A number of manufacturing industries such as food and beverages, chemicals and pharmaceuticals are also expected to grow well," he added.

The size of the domestic market, export potential and abundant raw materials, would make these sectors the drivers of growth.

Faisal also hoped that favorable government policies would help boost growth in these sectors.

# RI warns US against recognizing Jerusalem as capital

Tama Salim

THE JAKARTA POST/JAKARTA

Indonesia's top diplomat has joined a chorus of world leaders urging United States President Donald Trump not to declare Jerusalem the capital of Israel, for fear it may endanger the ongoing Middle East peace process.

Speaking at the opening of a seminar in support of Palestine, Foreign Minister Retno Marsudi said she spoke with US Ambassador to Indonesia Joseph Donovan on Monday to persuade the White House against recognizing Jerusalem as the capital.

"Indonesia clearly expressed its deep concern over the issue of the status of Jerusalem. Any change in the status of Jerusalem will endanger the peace process and peace itself," she said on Tuesday. The status of Jerusalem is a key issue in the Israeli-Palestinian conflict, with both Israelis and Palestinians claiming the city as their capital. "I also mentioned [to Donovan] that the leadership and wisdom of the US are needed on the Palestine issue."

Retno claimed Donovan had told her in the conversation that Trump had not taken a final stance on the matter. The minister lamented the absence of her Palestinian counterpart, Riad Al Maliki, who had to call off his plan to visit Jakarta on Tuesday

to monitor the development in Washington. Palestine's ambassador-designate to Indonesia, Zuhair al Shun, urged immediate action to prevent Trump from radically changing the US' position "before it is too late."

The White House said Trump

was expected to make a decision "in the coming days" after missing a deadline to decide on shifting the US embassy from Tel Aviv. Officials said Trump would probably stop short of moving the embassy outright, a central campaign pledge the administration has postponed once already.

"The president has been clear on this issue from the get-go: It's not a matter of if, it's a matter of when," White House spokesman Hogan Gidley was quoted by Reuters as saying.

In 1995, as Agence France-Presse reported, the US Congress passed the so-called Jerusalem Embassy Act recognizing Jerusalem as Israel's capital and stating that the US embassy should be moved there. However, an inbuilt waiver allows the president to temporarily postpone the move on grounds of "national security." It has been repeatedly invoked by successive US presidents, meaning the law has never taken effect.

French President Emmanuel Macron was among those who warned Trump that Jerusalem's status must be decided "within

the framework of negotiations between Israelis and Palestinians." Also, Turkish Deputy Prime Minister Bekir Bozdag said: "If the status of Jerusalem is changed and another step is taken [...] that would be a major catastrophe [...] It would completely destroy the fragile peace process in the region and lead to new conflicts, new disputes and new unrest."

On Monday, permanent representatives of the Organization for Islamic Cooperation's (OIC) member states held a meeting in Jeddah, Saudi Arabia.

The OIC issued a final communiqué calling upon all states to abide by the "resolution of international legality" on the city of Al-Quds — another name for Jerusalem — which is an integral part of the Palestinian territory occupied in 1967, Minister Retno remarked.

Indonesia is a strong supporter of the two-state solution for the Middle East conflict, which envisages an independent Palestinian state with East Jerusalem as its capital living side-by-side with Israel.

# Easy cash ends

## as Indonesian firms asked to tap market

Fathiya Dahrul  
and Yudith Ho

BLOOMBERG/JAKARTA

The government is shutting off the public funding tap for state-owned companies, forcing them to turn to the markets for capital.

From toll-road operator PT Jasa Marga to electricity producer PLN, these 118 companies — with combined sales of US\$133 billion — must embrace new sources of fundraising starting next year, State-Owned Enterprises Minister Rini Soemarno said. Jasa Marga last week sold the country's first rupiah-denominated global notes, called Komodo bonds, after joining PLN in offering securities

backed by roads and power plants in August.

"We want to let state-owned companies be the pioneers, to do the study and give suggestions to the government on what should be changed to access new sources of financing capital expenditure," Soemarno said in an interview. "We do all this so that our capital market becomes better, more liquid and more attractive to investors."

The state-owned companies have planned Rp 616 trillion (\$46 billion) of capital spending next year to build airports and dams, provide electricity and to ensure uniform fuel prices throughout the archipelago. The ministry will focus on housing development

in 2018, with plans to offer mortgage-backed securities, sell more Komodo bonds, as well as shares in hospital and hotel units to the public and strategic investors, Soemarno said.

"I'm excited about diversification in the market," Ernawan Rahmat Salimsyah, who manages Rp 7.5 trillion as chief investment officer at PT Indo Premier Investment Management, said by phone in Jakarta. "I see this as being good for both investors, who get more options, and issuers, as they would need to operate and interact at a level of professionalism demanded by investors."

The capital market in Southeast Asia's largest economy is dwarfed

by its neighbors. The size of Indonesia's local-currency bond market amounted to \$180 billion in September, compared with \$299 billion for Malaysia, according to the Asian Development Bank. The stock market capitalization is about \$482 billion, compared with \$507 billion for Thailand, an economy that's half in size.

The Jakarta Composite Index has rallied 13 percent this year, reaching a record 6,098.779 on Nov. 20. The gauge was at 5,980.671 by midday break on Tuesday.

Shallow local funding pools constrain companies from being able to raise capital without needing to take on the risk of borrow-

ing in foreign currencies, a conundrum that Soemarno bets will be solved once state-owned firms establish a Komodo bond market — named after the big lizards found in eastern Indonesia.

"The most crucial part is liquidity and having different types of issuers from different sectors, so this is what we're preparing," Soemarno said, adding that infrastructure companies will lead the way, followed by airports and telecommunication. "But what we're pushing for sure is that it has to have a good rating. We want to make sure that all the SOEs that go there are the best ones."

Indonesia's state-owned enterprises or SOEs dominate sectors

from construction to telecommunication and cement and had assets worth Rp 6,694 trillion, according to ministry data.

The minister's plans for these companies include merging about 70 hospitals to be offered in an initial public offering next year; IPO of oil producer PT Pertamina's hotel and property unit PT Patra Jasa; PLN to add 2,000 kilometers of new transmission lines to bolster bargaining power to switch off independent power plants charging high rates; free up more funds to help President Joko "Jokowi" Widodo achieve 35,000-megawatt of electricity generation target by the end of his term in 2019.

# Govt to miss target on housing program

Rachmadea Aisyah

THE JAKARTA POST/JAKARTA

President Joko "Jokowi" Widodo's administration is likely to face another letdown as its "One Million Houses" program, which is intended to tackle Indonesia's housing backlog, fails again to meet its target in 2017.

Under the program, run by the Public Works and Public Housing Ministry, only 765,120 houses had been built as of Dec. 4, the ministry's data show, 76.5 percent of the overall target of 1 million houses annually with less than a month left on the calendar.

Nevertheless, the ministry is confident that the program can meet 85 percent of the target by the end of the year.

"This figure only consists of houses that have been fully completed. There are still more being constructed as we speak," Khalawi Abdul Hamid, the ministry's director general for housing provision, told reporters on Tuesday.

He said land availability and slow deregulation were the root causes of the program's sluggish development, in addition to the housing backlog, which has been estimated to increase by 800,000 units each year from the current 7.6 million.

"We need more and more land but we cannot keep buying it," he said.

"So, we are looking for vacant plots owned by the government

1 million house target unlikely to be met by end of year

Lack of land availability, slow deregulation hamper progress

that we can use to build houses on, as well as seek opportunities to cooperate with private property developers to use their land banks for this program."

Responding to the program's results, Hari Gani, deputy head of spatial planning at the Real Estate Indonesia (REI) association, agreed that land availability and regulatory issues were the two main obstacles to achieving the government's target.

Khalawi said the ministry had also been working on housing deregulation, especially at the regional level, in order to ease the application process for house-building permits.

He said the ministry would see whether this year's housing provision could exceed the achievements of 2015 and 2016, 700,000 units and 805,196 units, respectively.

"As hard and challenging as this task is, we are optimistic that we will be able to close in on the target," he said.

The program had succeeded in providing a desirable amount of affordable housing for low-income people (MBR) at 619,868 units, 70 percent of the complet-

ed houses, he said.

REI's Hari said more efforts were needed from both the central and regional governments — the former should reinforce its principals with its subsidiaries, whereas the latter should remember that the housing program was part of a national strategic project as Jokowi envisioned.

"The government should also think about drafting a special regulation for affordable housing in order to secure the land needed to build it," he told *The Jakarta Post*.

"Do not forget also to take accessibility aspects into account so that MBR residents, especially who have to live further from city centers, can still enjoy decent facilities and transportation."

The ministry is pinning its hopes on the World Bank as the latter has promised to disburse US\$425 million in soft loans for the One Million Houses Program next year.

The ministry's director for housing provision planning Hardi Simamora said the loans, which are expected to be signed in early 2018, would enable the government to build at least 80,000 more houses in the next period of the program.

The ministry is also attempting to boost another aspect of the program through rehabilitating 1.75 million out of 3.4 million houses categorized as unfit for habitation by 2019, said Raden Johnny Fajar Sofyan Subrata, the ministry's director for independent housing.

# House wants Hadi to keep TNI in barracks

Nurul Fitri Ramadhani  
and Safrin La Batu

THE JAKARTA POST/JAKARTA

Tough challenges await the sole candidate to head the Indonesian Military (TNI), Air Chief Marshal Hadi Tjahjanto, with the country slated to hold regional elections next year, and the legislative and presidential elections in 2019.

With the support of President Joko "Jokowi" Widodo, Hadi is poised to lead the military until his retirement in 2020, after taking over the post from TNI commander Gen. Gatot Nurmantyo, who will retire in April.

One of his greatest challenges, according to members of the House of Representatives, is to keep the military in the barracks during election time.

The House, which is set to hold a confirmation hearing for Hadi on Wednesday, called on him to keep the military away from practical politics amid concerns that the institution has become too political under Gatot's leadership.

"These political years, will be more challenging [for the next military commander]. We want him to make the military more professional, meaning that it should stay in its domain and not get involved in politics," said Abdul Kharis Almsyhari, chairman of the House's Commission I overseeing defense issues.

"The TNI must stay neutral; it should not make too many comments on political matters. The [new] chief must focus on improving unity in the institution" said Supiadin Aries Saputra, a

House to hold confirmation hearing for new TNI chief on Wednesday

TNI must not get involved in politics, House says

NasDem Party politician.

Article 39 of the 2004 TNI Law bans military officials from engaging in practical politics.

The military was removed from the civilian sphere by the 2000 People's Consultative Assembly (MPR) Decree on military-police separation.

This separation, which was part of Indonesia's political reform, aims at keeping the military out of civilian affairs by allowing it to focus on state defense.

Critics, however, said that the TNI had been reluctant to stay in the barracks, pointing out that in the past few years, many former military officials had even joined political parties and taken part in elections.

At least two active military officials have publicly announced their intention to run in the June regional elections.

Army Strategic Reserves Command (Kostrad) Commander Lt. Gen. Edy Rahmayadi is set to run for governor in North Sumatra. Edy has secured political support from the Gerindra Party and the Prosperous Justice Party (PKS).

Edy said he would resign shortly before registering his candidacy at the General Elections Commission (KPU) in January.

Navy official Abdul Rivai Ras,

meanwhile, will contest the South Sulawesi gubernatorial election.

Gatot himself has been accused of harboring political ambitions for 2019 by issuing controversial statements that critics say could be construed as political maneuvering. A number of political surveys, meanwhile, have named him among potential presidential or vice presidential candidates.

When asked about Hadi's nomination, Gatot said Hadi was the right figure to lead the force until 2020.

"This man, who will replace me, is prepared to face the upcoming political years," Gatot said at the Bogor Palace in West Java as quoted by *kompas.com*. "Hadi is suitable to be the next chief. We all have to be sure about that."

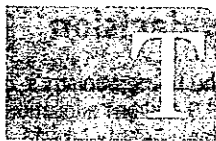
Another challenge for the new chief was to improve the TNI's weapons system, Supiadin said.

"The military must upgrade to a more sophisticated weapons system, so that we won't be left behind by other countries."

Military expert Al Araf of rights group Imparsial, concurred, saying that the upcoming military commander would be tasked with modernizing Indonesia's defense system in way that is more transparent and accountable.

"The TNI must avoid using a broker, a third party, in procuring weapons. It should only make [government-to-government] procurements to improve the defense industry," Al Araf said, adding that the new chief should take charge of internal reform in the TNI and ensure the welfare its personnel.

## Next TNI chief



he House of Representatives is scheduled to hold on Wednesday a fit-and-proper test for Air Force chief of staff Air Chief Marshal Hadi Tjahjanto who has been nominated by President Joko "Jokowi" Widodo as the next

Indonesian Military (TNI) chief to replace incumbent Gen. Gatot Nurmantyo.

By nominating Hadi, Jokowi has restored the rotation pattern among the three services — which he broke by nominating the Army chief of staff, Gatot, in 2015 to replace then TNI chief Gen. Moeldoko, another Army general.

The convention after the fall of the New Order regime has been that the TNI chief is to be rotated in an Army-Navy-Air Force pattern. Then Navy chief of staff Adm. Widodo Adi Sutjipto became the first TNI chief outside the Army to receive the commander's baton on Oct. 26, 1999.

Article 13 of Law No. 34/2004 on the TNI states simply that the TNI chief can be rotated among flag officers who hold or have held the position of chief of staff within the three services. The president, however, has the prerogative to nominate whoever they wish as long as the candidate fulfills the requirement of holding or having held the service chief post. Jokowi used this prerogative by nominating Gatot to succeed Moeldoko.

Nominating Hadi seems the best option as the other service chiefs, Army chief of staff Gen. Mulyono and Navy chief of staff Adm. Ade Supandi will soon enter retirement, in January 2019 and May 2018, respectively.

The president can still extend the retirement date of an incumbent TNI chief, as was the case of former TNI chief Gen. Endriartono Sutarto. However, this option should be taken only under extraordinary circumstances, because it would hold back the regeneration process of the TNI.

Another important requirement is that the candidate should be able to work closely with the president, who holds supreme power over the Army, Navy and Air Force, and the defense minister in managing national defense and related duties.

If the House approves Jokowi's nomination, Hadi will soon face a Herculean task with the simultaneous regional head elections to be held in June 2018 in 171 regions — 17 provinces, 39 mayoralities and 115 regencies. The huge number of local elections may require TNI's deployment to maintain security and public order, as the police will certainly be overstretched.

And next year all political parties will begin gearing up ahead of the 2019 general elections. Hadi also faces various challenges to improve TNI's performance and professionalism, regarding issues such as welfare, weapons modernization and upholding the rule of law among servicemen. He must also assist the defense minister by providing considerations on state defense policy, arms acquisition and also drafting and implementing a strategic plan on the use of national resources for state defense.

Hadi is also well equipped for TNI's task in humanitarian assistance and disaster relief. With the current threat from Mount Agung in Bali, floods and landslides, the use of military assets will be greatly beneficial in assisting other state institutions such as the National Search and Rescue Agency and the National Disaster Mitigation Agency.

# Govt boasts of sealed Rio Tinto deal

Viriya P. Singgih

THE JAKARTA POST/JAKARTA

The government has claimed that Anglo-Australian mining giant Rio Tinto has in principle agreed to sell its 40 percent participating interest in Papua's Grasberg mine, a move that will pave the way for the former to acquire gold and copper miner PT Freeport Indonesia (PTFI) at a more generous price tag.

Since earlier this year, the government has been negotiating with United States-based miner Freeport-McMoRan (FCX) to increase Indonesia's ownership of the latter's subsidiary, PTFI, to 51 percent from the current 9.36 percent.

At present, FCX controls 81.28 percent of PTFI, while the remaining 9.36 percent is owned by its subsidiary, local company PT Indocopper Investama.

However, the government has found it difficult to reach an agreement with FCX over the valuation of PTFI's shares, forcing the former to make a detour by approaching Rio Tinto for its interest in Grasberg, the world's largest gold mine and second-largest copper mine.

"According to State-Owned Enterprise Minister [Rini Soemarno], Rio Tinto has principally agreed to sell its participating interest," Energy and Mineral Resources Minister Ignasius Jonan said on Tuesday during a hearing with the House of Representatives' Commission VII overseeing energy.

FCX and Rio Tinto established an unincorporated joint venture in 1995, paving the way for the latter to control a 40 percent interest up to 2022 in certain assets and future production above specific levels in Grasberg's Block A, where PTFI's proven and probable reserves and all of its mining operations are located.

Rio Tinto also has the option to get a 40 percent interest in all production from the Block A after 2022, or a year after PTFI's contract of work (CoW) expires.

Jonan explained that Rio Tinto's 40 percent interest would be converted into shares through

Govt claims Rio Tinto agreed to sell 40 percent participating interest in Grasberg mine

Participating interest to be converted into shares in rights issue

a rights issue, resulting in the dilution of the stakes currently held by the government and Indocopper to around 5.5 percent each.

"So, after the conversion of Rio Tinto's interest into shares, we will control around 45 percent [of PTFI]. This, added with Indocopper's shares, will enable us to own 51 percent in total," he said, adding that FCX was willing to sell Indocopper to the government.

Jonan believed the government would be able to acquire the remaining 41.64 percent shares of PTFI for around US\$2.9 billion through this scheme.

FCX had valued the shares at \$6.62 billion, taking into account Grasberg's reserves until 2041.

The government has planned on newly formed state mining holding company PT Indonesia Asahan Aluminium (Inalum) and Papua's regional administrations to take over PTFI's majority stake by the first quarter of 2019 at the latest.

Afterward, Inalum will be responsible for developing PTFI's new copper smelter in Gresik, East Java, estimated by PTFI to cost around \$2.2 billion.

However, Jonan said the smelter would be dealt with after the acquisition, as the government wanted to have a say in its development, including on its location.

Inalum president director Budi Gunadi Sadikin previously said Inalum was still reviewing whether it would develop the new smelter in Gresik or in other prospective locations, including in Papua or West Nusa Tenggara.

"One thing's for sure: we will also need to develop a metal refining facility to process copper cathode into pure copper, and anode slime into gold or silver. The investment for this facility might only reach \$100 million. So, it's far less costly," Budi said.

# Vaccine campaign failing

Dec 6, 2017  
J. Post

**Gemma Holliani Cahya**  
THE JAKARTA POST / JAKARTA

Rising resistance toward the state-sponsored immunization program may have reached an alarming level following the revelation that 20 of 34 provinces in the country have been hit by a diphtheria outbreak this year.

From January to November alone, the highly infectious disease infected 591 people and killed 30 people nationwide, according to the Health Ministry. In 2007, the nation recorded only 183 cases of diphtheria. The figure then skyrocketed to 502 cases in 2015 and 415 cases last year.

Among the provinces that have declared an extraordinary occurrence (KLB) status for diphtheria outbreaks are West Java, East Java, Jakarta and West Sumatra.

"Sixty-six percent of those infected by diphtheria have not received basic vaccinations. The rest of them have, but have not completed the process," Jane Supardi, the Health Ministry's director of surveillance and quarantine, told *The Jakarta Post* on Tuesday.

Many people remain unaware of the importance of vaccinations, Jane said, but even more worrying is the fact that many people, including teachers, have rejected

20 provinces hit by diphtheria outbreak in 2017

Rising anti-vaccine sentiment to blame for outbreak

the program.

"Schools that refuse to participate in the vaccination program must be reported, because it is dangerous for the children. The regional administration must step in to solve this issue," Jane said.

Diphtheria is a bacterial infection that affects the mucous membranes of the throat and nose and can lead to death.

The bacteria clogs the patients' airways affecting their ability to breathe. The bacteria also releases toxins that disrupt the heart's function.

The Health Ministry and local health agencies plan to hold an outbreak response immunization (ORI) to halt the spread of the disease.

Yus Ruseno, an official at the West Java Health Agency, said it had recorded 116 cases of diphtheria from January to November, which claimed 13 lives.

This year had been the worst in four years, he said. Last year,

10 people died from the disease in the province from 121 cases recorded by the agency. In 2015, only six people died from 46 recorded cases.

Yus said the agency would hold an ORI campaign in Purwakarta, which recorded the highest number of diphtheria cases following a rise in anti-vaccine sentiment.

Residents of at least two villages in the regency have rejected the immunization program.

"The people of Jatiluhur and Tegalwaru villages live in groups and refuse to participate in the immunization program because of their religious beliefs," Yus said.

"This is one of the challenges to preventing diphtheria outbreaks."

East Java, home to one of the strongest anti-vaccine movements in Indonesia, has lost 12 children because of diphtheria this year.

"From 318 cases reported this year, only 24 have been confirmed based on laboratory examinations. They were all under 15 years old," East Java Health Agency head M. Kohar told the *Post* on Tuesday.

To prevent the outbreak from spreading, he said, the agency would vaccinate everyone within a 200-meter radius of a diphtheria patient's residence.

Mulyani Hamid, the head of

Padang Health Agency in West Sumatra, said it would involve more parties to convince the roughly 5 percent of the city's population who still refused to have their children vaccinated in the wake of the latest diphtheria outbreak to hit the province.

"We will involve religious leaders, tribal leaders, non-governmental organization and the media," Mulyani said on Tuesday.

The secretary of the Indonesian Pediatric Association (IDAI)'s immunization task force, Soedjatmiko, blasted the anti-vaccine movement and regretted the fact that some parents still did not understand that by refusing to vaccinate their children, they were endangering their lives.

"Groups that persuade parents to refuse immunizations must be held responsible for this increase in cases of diphtheria," he said. "The victims are their children."

By the time a child reached fifth grade, they needed to have received eight DPT vaccinations, which covers diphtheria, pertussis and tetanus, Soedjatmiko said.

"The problem is, after a child reaches a year old, parents often do not pay attention to the immunization schedule anymore, so they don't complete all the immunization stages."

ARYA DIPA, WAHYOE BOEDHI WARDHANA AND SYOFIARDI BACHYUL JB CONTRIBUTED TO THIS ARTICLE FROM BANDUNG, SURABAYA AND PADANG



# Anies scraps spatial plan draft bylaw

**Callistasia Anggun Wijaya**  
THE JAKARTA POST/JAKARTA

In his first effort to derail reclamation projects, Jakarta Governor Anies Baswedan has scrapped a draft bylaw on the North Jakarta coastal spatial plan — which will serve as a basis to continue the reclamation in Jakarta Bay — from next year's legislation program (Balegda).

Anies, who pledged to halt the reclamation in his campaign, delivered a letter to the City Council on Nov. 22, stating he would thoroughly review the North Jakarta Strategic Area Regional Spatial Plan and Jakarta's Zoning Plan and Coastal Northern Territories (RZWP3K) draft bylaws.

Both were proposed by the administration of former Jakarta governor Basuki "Ahok" Tjahaja Purnama in 2015.

Anies's letter also retracted former Jakarta governor Djarot Saiful Hidayat's letter of Nov. 6, which demanded that the council deliberate both bylaws and keep a 15 percent contribution requirement for developers.

The city administration would revise the bylaws after conducting further studies, Anies said.

In a plenary meeting held last Thursday to deliberate the 2018 legislation program, the executives decided to only drop the North Jakarta coastal spatial plan draft bylaw and keep the RZWP3K draft bylaw. The governor did not reveal the reason for the decision, saying only that the bylaw should be revised.

"We want to develop the North Jakarta area according to Jakarta's current conditions and in the future. We should review [the matter] from geopolitical, social, economic, environmental and cultural aspects," Anies said at City Hall on Tuesday.

He added that he would not focus on revising certain articles in the bylaw, including the 15 percent contribution requirement, but review the draft thoroughly.

The administration stopped deliberation on the bylaws in July last year, following a bribery case involving councillor Mohamad Sanusi and Agung Podomoro president director Ariesman Wijaja, who have since been jailed.

Anies said the administration would form a special team dedicated to coastal management to review the draft and create a com-

City administration to review draft bylaws, says Anies

Absence of bylaw to affect permit issuance for islets: Jakarta assistant secretary

prehensive regulation.

Currently, work on Islets C and D, which are being developed by PT Kapuk Naga Indah, a subsidiary of Agung Sedayu Group, and Islet G, being developed by PT Muara Wisesa Samudra, a subsidiary of Agung Podomoro Land, have continued despite the absence of both bylaws.

Some buildings have also been constructed on Islet D. The administration even gave PT. Kapuk Naga Indah a right-to-use permit (HGB) in August.

Anies said he would act firmly against the ongoing project without specifically revealing his plan.

Gamal Sinurat, the Jakarta secretary, who is responsible for development and the environment, said revoking the bylaw would affect the issuance of land permits for the islets.

"The bylaw stipulates what kind of buildings can be constructed," he said, adding that the administration would thus not be able to issue, among others, a permit to build (IMB) on the islets.

Anies's move contravenes the government's wish to continue the reclamation.

In October, Coordinating Maritime Affairs Minister Luhut Pandjaitan said Anies and his deputy, Sandiaga Uno, could not cancel the reclamation project in Jakarta Bay, as it was under the central government's control. That same month, the government lifted a moratorium on the reclamation, claiming that the project no longer faced technical or legal problems.

Bestari Barus, a councillor from the Nasdem faction, questioned Anies's plan to scrap the draft bylaw, which was based on thorough academic studies. "This retraction shows the administration has moved backward."

Tigor Hutapea from the People's Coalition for Fisheries Justice (KIARA) applauded Anies's decision. "However, the administration should have retracted the RZWP3K, too. We hope that Jakarta Bay can be turned into mangrove conservation area and fishing ground."

TRANSPORTATION

# Motorcycle makers expect first sales rebound

Stefani Ribka

THE JAKARTA POST/JAKARTA

The Indonesian Motorcycle Industry Association (AISI) is hopeful that it would see motorcycle sales increase by at least 3.3 percent to 6.1 million units next year.

Motorcycle sales have been decreasing since 2014, when consumer purchasing power declined due to lower commodity prices.

AISI commercial head Sigit Kumala said commodity prices next year were expected to continue their rebound trend, leading to the recovery of income and spending, especially among those living in rural areas in commodity-dependent provinces.

These commodities include crude palm oil (CPO), rubber and coal, all of which are widely cultivated in Kalimantan and Sumatra.

"We estimate [wholesale sales of motorcycles to reach] 6.1 million to 6.2 million units, because commodity prices will increase, and because some real-sector businesses have already improved," Sigit said.

"SMEs [small and medium enterprises] and the processing industry have improved."

Domestic motorcycle sales have been dependent on the spending power of middle-to lower income citizens, who contribute to more than 50 percent of motorbike sales.

As for this year, the group expects to see stagnant wholesale sales of 5.9 million units, similar to last year's level of 5.93 million units.

Between January and October this year, sales declined slightly by 0.1 percent to 4.91 million units compared to the same period last year.

Honda continues to dominate sales with a 74.7 percent market share, followed by Yamaha at 22.6 percent, Kawasaki at 1.4 percent and Suzuki at 1.3 percent, while the remaining is held by India's TVS.

"This year, sales are stable at 5.9 million because of improved commodity businesses outside Java, like in Sumatra and Kalimantan, while sales in Java and Bali are still declining," Sigit said.

The drop in commodity prices in 2014 led to a yearly decline in motorcycle wholesale sales, from 7.86 million units that year to 6.48 million units in 2015 and 5.93 million units in 2016.

Besides pinning its expectations on commodity prices, AISI also hopes that the government would refrain from issuing any policies that could hamper the people's purchasing power next year.

Early this year, the government increased electricity rates, as well as fees for vehicle registration certificates (STNK) and vehicle ownership documents (BPKB), all of which were blamed for the decrease in sales.

Despite reeling from declining domestic sales, the motorcycle industry is experiencing a positive trend in exports. Overseas demand is projected to hit 400,000 units this year, up from 284,065 units last year; 228,229 units in 2015; 41,746 units in 2014; and 27,135 units in 2013.

However, neither domestic nor overseas demand has driven motorcycle plants in Indonesia to run at full capacity. As Southeast Asia's biggest motorcycle production center, Indonesia's plants have only been operating at 60 percent capacity.

Indonesia produced half of the motorcycles in the region last year with 6.2 million units, compared to Thailand at 1.7 million units.

AISI noted that production costs in Indonesia remained high because few companies were able to supply raw materials for the motorcycle industry, including automotive steel, resin and special synthetic rubber.

Steel, for example, contributes to 60 percent of materials, while resin contributes 11 percent and heat resistant synthetic rubber 4 percent.

Industry Minister Airlangga Hartarto previously said that supporting industries were prepared to help with motorcycle production.

Domestic automotive steel production is expected to double to 800,000 tons by 2019, a majority of which will come from PT JFE Steel Galvanizing Indonesia (JSGI).

PT Chandra Asri Petrochemical (TPIA), a producer of automotive resin, is on its way to increasing production from only 3,600 tons last year to 25,000 tons by 2019.

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## • FREIGHT SHIPS

# Pelita Samudera Shipping boosts fleet for more coal

The Jakarta Post

AKARTA

Shipping firm PT Pelita Samudera Shipping (PSSI) will invest in more ships and freight next year to support its main business of transporting coal, a hot commodity due to high demand and rising prices.

PSSI obtained Rp 135.8 billion (US\$10 million) through an initial public offering (IPO), equal to 10 percent of its capital.

The firm's president director, Alex Iriawan Ibarat, said 60 percent of the IPO proceeds would be used to purchase new ships, while 30 percent would be allocated for next year's capital expenditure. Moreover, another 20 percent would be used to pay off loans to private lender United Overseas Bank (UOB) Singapore.

"The strategy is to boost our existence as an integrated logistics and shipping service to the coal mining industry in Indone-

sia," he explained at the Indonesian Stock Exchange (IDX) in Jakarta on Tuesday.

A total of \$8 million would be invested in tugboats, barges, a floating loading facility and also the expansion of its mother vessel and tanker ships in the first quarter of 2018, according to Alex. PSSI corporate secretary Imelda Agustina Kiagoes told *The Jakarta Post* that the firm specifically planned to buy more 330-foot tug boats and barges to carry bigger loads.

PSSI, a member of Singapore-based IMC Pan Asia Alliance Group, currently owns almost three dozen 300-foot ships that have operated for the past nine years.

The larger ship is expected to carry a load of up to 9,500 metric tons of coal per shipment, 2,000 metric tons more than the amount small ships are capable of carrying.

PSSI currently serves several

mining firms including PT Jemberan Muarabara and PT Berau Usaha Mandiri.

The firm's enthusiasm to expand its fleet is partially due to the profits it has reaped because of high domestic demand for coal, especially in the power sector due to the government's massive electricity procurement plan.

PSSI's revenue grew by 43.6 percent year-on-year (yoy) to \$19.85 million in the first half of the year, while net profit stood at \$207,925, a significant increase from a net loss of \$8.03 million last year.

"With the constant price hike in 2017, we gained significant growth. Performance in the second half of 2016 was better than the first half, and so on until now," said Imelda told the *Post*.

While this year's coal production is projected to be lower than last year's 419 million tons, the domestic allocation is expected

to rise to 121 million tons this year from 111 million tons in 2016.

Coal prices have also been experiencing a good year, Reuters reported that the price of Newcastle thermal coal, an Asian benchmark, reached \$96.90 per ton on Dec. 1, 36 percent higher than this year's low of \$71.30 per ton in May.

PSSI is also looking to diversify its freight business to transport palm oil, another of Indonesia's hot commodities.

"We're still mulling over the possibility. Based on the continuous CPO [crude palm oil] price hike, however, we have set a target to execute our plan by 2018," Imelda said.

Indonesia produced up to 35 million tons of CPO last year, more than half of the global production. Moreover, the government plans to increase production to 42 million tons within the next three years to maintain its position. (sha)