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# More victims of road, train projects

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THE JAKARTA POST/JAKARTA

In the latest accident to reveal the flaws of infrastructure projects in the Greater Jakarta area, one death was recorded on Tuesday after the victim was trapped for hours under a collapsed wall at a railway overpass near Soekarno-Hatta Airport, in Tangerang, Banten.

The victim, Dianti Diah Ayu Cahyani Putri, was an employee of PT Garuda Maintenance Facility (GMF) AeroAsia. She was trapped with co-worker Mukhmainna Syamsuddin inside a car at the newly constructed overpass over Jl. Perimeter Selatan.

The car, driven by Dianti, was struck by falling concrete and buried under soil held back by the wall. Both victims were trapped inside the car for more than nine hours before a rescue team freed them early on Tuesday.

"It was not easy. Another accident like this could further endanger not only the victims' lives, but also the rescuers'," said National Search and Rescue Agency (Basarnas) spokesman M. Yusuf Latif.

Dianti was rescued at 3 a.m., while Mukhmainna was freed three hours later. However, Dianti passed away at around 6:45 a.m. at Mayapada Hospital in Tangerang after suffering neck trauma, a hip fracture and respiratory problems.

Mukhmainna is being treated at Siloam Hospital, Tangerang,

## Constructions derailed

Date	Project	Casualties & Damages	Developer
Oct. 13, 2017	LRT construction site on Jl. M.T. Haryono, South Jakarta	None	PT Adiri Karya
Oct. 17, 2017	LRT construction site on Jl. Kelapa Nias Raya, North Jakarta	One injured, one building was destroyed	PT Wijaya Karya
Oct. 26, 2017	Bogor Outer Ring Road (BORR) construction site on Jl. Sholeh Iskandar, Bogor, West Java	Severe traffic congestion	PT Wijaya Karya
Nov. 3, 2017	MRT construction site on Jl. Wijaya II, South Jakarta	One injured, a car and motorcycle were crushed	Obayashi-Shimizu-Jaya (joint venture)
Nov. 15, 2017	LRT construction site on Jl. M.T. Haryono, South Jakarta	One car was crushed	PT Wijaya Karya
Jan. 2, 2018	Depok-Antasari highway construction site on Jl. Pangeran Antasari, South Jakarta	One dump truck was crushed	PT Girder Indonesia
Jan. 22, 2018	LRT construction site on Jl. Kayu Putih Raya, East Jakarta	Five injured	PT Wijaya Karya
Feb. 4, 2018	Jakarta-Cikarang four-track railway project construction site on Jl. Matraman Raya, East Jakarta	Four dead, Five injured	PT Hutama Karya

Source: The Jakarta Post

One dead after overpass wall collapse near Soekarno-Hatta Airport

Transportation Ministry to intensify monitoring of projects to prevent further accidents

and suffered only bruises.

The overpass was recently built over Jl. Perimeter Selatan to enable the construction of the airport railway line that was inaugurated by President Joko "Jokowi" Widodo in January.

The police have announced they are conducting an investigation to determine whether there were any errors in the construction of the overpass project, which began in March last year.

The overpass, developed by state-owned PT Waskita Karya,

was opened in December.

"We are conducting a comprehensive investigation into the incident and are ensuring safety [in the area] in coordination with the relevant institutions," said Waskita Karya corporate secretary Shastia Hadiarti.

Accidents at newly constructed and ongoing infrastructure projects have plagued the city in recent months, as the construction of several mega projects including Mass Rapid Transit (MRT), light rapid transit (LRT) and turnpikes shake the capital's streets.

Every railway project that has experienced an incident so far is part of the government's infrastructure priority program, and so have been inspected often by high-ranking officials, including Jokowi himself, to ensure they are accelerated toward completion.

The Public Works and Housing

Ministry has set up the Construction Safety Committee (KKK) to investigate all construction accidents that have occurred in infrastructure projects in the country.

So far the committee has yet to announce any findings, leaving residents to worry about the safety of the projects being constructed all around them.

"We are still investigating the series of accidents," KKK head Syarif Burhanudin said.

Suspensions of incompetent contractors and overtime practices have been raised, but the government has yet to come forth with a clear explanation as to the causes of the accidents.

The train directorate general of the Transportation Ministry announced that it was developing 13 projects across the country throughout 2018, with several in the Greater Jakarta area.

Transportation Ministry train directorate general spokeswoman Joice Hutajulu said the ministry would intensify monitoring of the ongoing projects to prevent the reoccurrence of construction accidents.

A construction expert from the University of Indonesia (UI), Yuskar Lase, said the incident at the airport might have been caused by an error during the planning of the overpass' construction.

Yuskar said the contractor should have taken environmental factors into consideration, such as rain and earthquakes.

HUMAN RIGHTS

## Amid criticism, Jokowi maintains stance on LGBT

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THE JAKARTA POST/JAKARTA

President Joko "Jokowi" Widodo invoked culture and beliefs adopted by the people of Indonesia, home to the largest Muslim population in the world, in implying on Tuesday that the lesbian, gay, bisexual and transgender (LGBT) community is not acceptable in the country.

The remark came despite forceful criticism by civil society groups over the inclusion of an article that may outlaw same-sex relations in the Criminal Code (KUHP) bill being deliberated at the House of Representatives.

Although Jokowi did not abandon his disapproval of the LGBT community, he highlighted that the government would not go to the extent of "overcriminalizing" members of the group.

The President conveyed his stance during his meeting with United Nations High Commissioner for Human Rights Zeid Ra'ad al-Hussein on Tuesday.

Jokowi and several Cabinet ministers welcomed al-Hussein, who had been invited by the government to visit Indonesia from Feb. 5 to 7, at Merdeka Palace.

The bill, which seeks to expand the definition of adultery and to criminalize consensual sex between two unmarried persons, also includes an article that, if passed, may outlaw same-sex relations. This article has been widely dubbed the "LGBT article."

Law and Human Rights Minister Yasonna Hamonangan Laoly said al-Hussein told Indonesian officials during the meeting that the country's authorities should not discriminate against people whose primary sexual orientation was toward the same gender.

The minister said he told al-Hussein that Indonesia had its own culture. He later asserted that what the government wanted in the article was to take legal measures against those who engaged in same-sex intercourse with minors.

"In the [KUHP revision] proposed by the government, the

[same-sex relations] are [criminalized] when it is conducted with minors. That is the stance of the government. The deliberation of the bill is still ongoing at the House of Representatives," Yasonna told journalists after the meeting.

He referred to Article 495, which, according to the copy of the bill obtained by *The Jakarta Post*, stipulates that any person conducting obscene actions with someone of the same gender whose age is not yet 18 can be charged with a maximum of nine years in prison.

The article is part of the bill's section on obscenity. Some political party factions reportedly have sought to eliminate the age limit to include possible punishment against people of all ages who engage in sexual intercourse with a member of the same sex. The move aims to outlaw homosexual relations, which many lawmakers consider a violation of morality.

Article 495 is among the pending issues that still need to be resolved by teams from lawmakers and the government, according to the decision made on Jan. 16.

Deputy Foreign Minister Abdurrahman Mohammad Fachir said in his meeting with al-Hussein that Jokowi had also reiterated the government's commitment to upholding human rights in Indonesia.

"The President said whether it was related to LGBT or other minority groups, when it came to their rights [as citizens], it's the responsibility of the state to uphold it," Fachir said.

Anti-LGBT sentiments in Indonesia have intensified in recent years following damaging remarks from public officials, as well as police crackdowns on spas and private entertainment spaces allegedly operating as sex clubs for homosexual men.

Scrutiny of the LGBT community took a nasty turn after the North Aceh Police raided beauty salons and arrested 12 transgender employees to force them to "act like real men", an incident which highlighted growing discrimination against the minority group.

# Existing gas players to get 15-year leeway

Viriya P. Singgih

THE JAKARTA POST/JAKARTA

Despite granting exclusive rights to run gas distribution networks in certain regions to big players, the government will give leeway for existing pipeline operators to continue operations there within 15 years under several conditions.

Under the newly passed Energy and Mineral Resources Ministry Decree No. 4/2018 on the downstream gas business, it plans to classify domestic distribution network areas (WJDs) by regions and list them in the master plan of the National Gas Distribution and Transmission Network by July 2019 at the latest.

The Downstream Oil and Gas Regulatory Agency (BPH Migas) will carry out auctions to select operators, who will secure rights to operate infrastructure in these areas for 30 years. Consequently, winning bidders can dominate gas transportation and trading in their respective areas, while further developing gas infrastructure and markets there.

Despite such exclusivity, the Energy and Mineral Resources Ministry's director for downstream oil and gas business, Harya Adityawarman, said the government did not intend to "kill" the businesses run by existing gas distributors that had built and operated their own gas pipelines but failed to win the auctions.

"Auction winners will automatically be granted gas trading areas [WNTs] equal to its WJDs. However, existing gas players in

Existing gas players can continue operation within 15 years or until contracts expire

Players to be given sufficient time to reach break-even point

Firms can later team up with other operators

those WJDs will still be able to run their businesses for 15 years, or until their contracts with their customers expire," Harya said on Tuesday, adding that in spite of such an arrangement, existing players could not expand their businesses, including finding new customers for gas they distributed.

The rules are intended to provide enough time for present gas players to reach a break-even point for gas pipelines they built. Furthermore, after the 15-year period is over, they can also team up with WJD operators under a business-to-business scheme.

Under the previous stipulation, gas traders construct infrastructure, technically known as downstream dedicated pipelines, to transport their own gas to their customers.

BPH Migas head Fanshurullah Asa said his side would work with the police to ensure existing gas distributors would neither build new downstream pipelines nor expand their customer base until the next year and a half, when the ministry determines which WJDs to be included in the gas network master plan.

"We will also soon issue a BPH Migas regulation on the WJD auction mechanism," he said, adding that WJD auctions had to wait for the completion of the master plan.

Nevertheless, Fanshurullah further said that auctions of transmission pipeline projects would not need to wait for the completion of the master plan.

The agency plans to offer three gas pipeline projects worth US\$1.2 billion in Kalimantan through an open auction this year.

The first project to be offered in the auction is the offshore gas pipeline spanning 487 kilometers from Natuna in Riau Islands to West Kalimantan, which costs \$595 million. It will then be connected with the onshore West Kalimantan-Central Kalimantan pipeline measuring 1,018 km and the Central Kalimantan-South Kalimantan pipeline covering 192 km, of which investment reaches \$516.14 million and \$97.34 million, respectively.

Separately, Indonesian Natural Gas Trader Association (INGTA) chairman Sabrun Jamil Amperawan said, in general, Decree No. 4/2018 provided certainty as well as fair treatment for downstream gas players in the country.

Nonetheless, he noted that only big gas firms with strong financial capability would stand a chance to win the WJD auction.

"It's not easy to develop both the infrastructure and industry in one area," Sabrun said. "It will be too risky for small businesses to be involved in such a long-term business model."

## ASEAN airs worries over diminishing trust, peace

Dian Septiari

JAKARTA POST/JAKARTA

ASEAN foreign ministers appear to be accusing China of "undermining peace" in the South China Sea, as land reclamation continues in the disputed Spratly Islands despite calls not to escalate tensions in the region.

In a press statement made after the ASEAN Ministerial Meeting (AMM) Retreat on Tuesday, "some ministers" expressed concerns about the reclamation in the contested body of water without mentioning China by name, even though ASEAN and China had agreed to negotiate a code of conduct (CoC) for the area last year.

"We discussed the matters relating to the South China Sea and took note of the concerns expressed by some ministers on the land reclamations and activities in the area, which have eroded trust and confidence, increased tensions and may undermine peace, security and stability in the region," Singapore's Foreign Minister Vivian Balakrishnan said in the statement.

It remains unclear which ASEAN ministers raised the issue, although in response to an inquiry about whether Indonesia's Foreign Minister Retno LP Marsudi was one of them, ministry spokesman Arrmanatha Nasir said she had not specifically said anything, but had "merely wished to use the momentum to move the CoC negotiations forward."

ASEAN members Malaysia, Brunei, Vietnam and the Philippines all claim a stake in the South China Sea, even as China continues claiming most of the waters for itself, aggressively building and militarizing artificial islands.

While Retno did not specifically endorse the concerns raised in Tuesday's event, Arrmanatha maintained that making a statement was a prerogative of the current chair. "[The statement] was still discussed with and supported by all members," he said.

ASEAN operates based on consensus and usually refrains from making statements that may stir up controversy, but a chairman's statement does not necessarily fall under common purview.

The issue came to a head following an exposé by the *Philippine Daily Inquirer*, which acquired photos taken between June and December last year showing China's almost finished reclamation projects.

At the time, ASEAN and China were in the process of negotiating the CoC framework that was eventually concluded in August last year. The photos showed reefs transformed into islands in the final stages of development as air and naval bases.

China had in December defended its construction on disputed islands as "normal".

In the first AMM Retreat under Singapore's chairmanship on Tuesday, the ministers said they welcomed the completed ASEAN-China CoC framework as a start for substantive negotiations toward the conclusion of an effective codex. Balakrishnan said resolution of the South China Sea dispute would not be easy, even with the talks for a CoC underway. "It's going to be a very complicated negotiation," he said, as quoted by AFP.

"Territorial claims are not resolved just because you have a CoC. There will be no shortage of very sensitive issues that will take a lot of innovation and imagination on the part of the diplomats and ultimately an exercise of political will."

## ACID ATTACK

# Novel's attack investigation marred by abuse: Ombudsman

**Kharishar Kahfi**

THE JAKARTA POST/JAKARTA

After months of slow progress in their probe into an acid attack on Corruption Eradication Commission (KPK) investigator Novel Baswedan, the Jakarta Police were put back in the spotlight on Tuesday after the Ombudsman found maladministration in their investigation.

Ombudsman commissioner Adrianus Meliala said the maladministration was related to police procedures in questioning a witness in the case, Muhammad Lestaluhu, who reportedly fit the police's description of an alleged perpetrator. "We found that investigators didn't provide proper paperwork ahead of the questioning," Adrianus said.

Adrianus highlighted the fact that the investigators had summoned Lestaluhu via a phone call

rather than by issuing an official letter of summons.

Such a letter is among the rights of a witness, as stipulated by the Criminal Law Procedures Code (KUHP). A witness also has the right to know the reason behind the summons.

Lestaluhu, he said, was also treated improperly before and during the police questioning.

"Police personnel forcibly removed him from his workplace and questioned him for almost two days. It shouldn't be done to a witness in a criminal case as it could cause the general public to perceive him as a suspect," Adrianus said, adding that it had resulted in the witness losing his job.

In January, Lestaluhu filed a report with the Ombudsman on the alleged maladministration during the police investigation, which he described as having resulted in a rumor suggesting he

was a suspect in Novel's attack.

As a witness, Lestaluhu was eventually released after the police concluded that he did not match the police's description of suspect.

But as rumors circulated, Lestaluhu lost his job as a security guard at a hotel in Jakarta. He claimed that the hotel management was uncomfortable with the speculations, as well as with his questioning by the police and the media coverage.

On Jan. 25, the Ombudsman sought police clarification. At that time, the police said they had cleared Lestaluhu as a possible suspect.

On Tuesday, following its month-long probe into the maladministration, the Ombudsman recommended the police issue a letter confirming the witness' status.

Jakarta Police general crimes director Sr. Comr. Nico Afinta said the police would follow up on the recommendation, adding,

"We will improve ourselves to make sure that we work accordingly based on facts."

The police have been under fire for failing to resolve the attack, which occurred when two unknown men splashed acid onto Novel's face in the morning of April 11, 2017.

Last July, President Joko "Jokowi" Widodo summoned National Police chief Gen. Tito Karnavian to seek updates on the police investigation.

Recently, investigators issued sketches of three alleged perpetrators' faces, resulting in more than 1,400 pieces of information coming in through a hot line opened by the police. However, there are still no solid leads regarding the perpetrators.

National Police Commission (Kopolnas) member Poengky Indarti said the police should be more focused in resolving the acid attack.

# Global aviation players target RI

**Farida Susanty**

THE JAKARTA POST/SINGAPORE

Global aviation industry players are highly confident in the Indonesian market amid an aviation boom that has coincided with "political stability".

French turboprop manufacturer ATR is expecting the number of ATR aircraft sold and leased in the country to climb further, driving its business growth in Asia, where it seeks to nearly double its sales and lease 700 aircraft within the next 20 years from 420 aircraft at present.

"It [Indonesia] is a huge market for ATR and we obviously would like to concentrate in Indonesia to work with the government and support airlines," ATR communications head Palmira Rotolo said on the sidelines of the 2018 Singapore Airshow on Tuesday.

Asia has been ATR's main market, while Indonesia operates one-third of the aircraft manufacturer's fleet in the continent. This makes the country its largest market globally.

Low-cost carrier Lion Air, its biggest customer worldwide, made a historic order of 100 aircraft in 2014 with deliveries scheduled until 2019.

It expects to welcome 16 ATR 72-600 aircraft throughout this year, adding to the 53 aircraft it currently runs, according to the airline's data.

The turboprop producer underlined the capability and flexibility of ATR aircraft, particularly the ATR 72-600, its most popular

Indonesia largest market for ATR aircraft worldwide

ATR sees opportunities in fast-growing tourism

Dassault Falcon targets big corporations

model, in landing in areas with poor infrastructure. It also finds it fitting that Indonesia is making a push to enhance connectivity in the sprawling archipelago of more than 17,000 islands.

"[The aircraft] perfectly suits the government's goal to develop tourism and new routes," Rotolo said.

The government, which has prioritized developing the tourist sector, previously set a goal to welcome 20 million foreign tourists by 2019, but a lack of connectivity within the vast archipelago has been a key challenge.

The Transportation Ministry projected the number of active aircraft in the country to expand by 11 percent on average annually, driven by double-digit growth in passengers.

Apart from passenger aircraft, ATR also seeks to market its newest cargo freighter fleet, the ATR 72-600F, which is set to launch in 2020.

"As for the freighter, there are a lot of possibilities in Indonesia and we will try to work together with the airlines to understand their needs," Rotolo said.

American courier services

company FedEx Corporation has ordered 30 units of the latest model.

Meanwhile, French business jet manufacturer Dassault Falcon announced during the Singapore Airshow that it reached its second purchase deal with an undisclosed Indonesian buyer for its premium jet, the Falcon 8X.

Earlier, the company sold another type of aircraft to an Indonesian client.

"In our opinion, we will have a lot of customers [in Indonesia]. The economy is getting better every year and we see political stability," Dassault Falcon Asia-Pacific president Jean Michel Jacob said on Tuesday.

The jet maker was looking to sell its products to large Indonesian corporations, he added.

Indonesia is Dassault's second-largest market in Southeast Asia. Fifty-two Falcon business jets were sold and operated in the country in 2016, a 16 percent increase from 2014.

The company acknowledged it was facing competition with Brazilian aerospace conglomerate Embraer SA. However, Jacob said that as the Indonesian market was evolving and maturing, its Dassault customers might shift to more premium and expensive products.

"I think it's a matter of getting us known first," he said.

Deliveries of Falcon business jets remained flat in 2017, reaching 49 units, although the figure was higher than the initial projection of 45 units.

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## Merdeka to produce more gold in 2018

**JAKARTA:** Publicly listed mining firm PT Merdeka Copper Gold is aiming to produce around 155,000 to 170,000 ounces of gold in 2018, an increase of between 8.8 and 19.3 percent from its full-year production last year.

Merdeka, which is jointly owned by several tycoons, such as Edwin Soeryadjaya, Sandiaga Uno and Garibaldi "Boy" Thohir, began producing gold at its Tujuh Bukit mine in Banyuwangi, East Java, in March last year.

The company produced a total of 142,468 oz of gold last year, 43.1 percent of which was generated in the fourth quarter alone, with an all-in sustaining cost of US\$425 per ounce.

"The planned gold production for 2018 is 155,000 to 170,000 oz with an all-in sustaining cost of around \$550 to \$650 per oz," Merdeka said in a statement published on Monday.

However, the company has projected that gold production in the first quarter of 2018 will be substantially lower than average due to the short-term impact of extremely high rainfall during the wet season this year.

The Tujuh Bukit mine is estimated to have gold resources and reserves of 28 million and 2.45 million oz, respectively. Furthermore, it also contains 19 billion pounds of copper resources and 79 million oz of silver reserves.

Merdeka booked a net profit of \$18.49 million at the end of the third quarter of 2017, reversing a net loss of \$2.5 million in the same period in 2016. —JP

BANKING

# Mandiri braces for lower profit, limits corporate actions

Winnie Tang

THE JAKARTA POST/ JAKARTA

The year of 2018 does not look like being a prosperous one for state-owned lender Bank Mandiri as bad loans have forced it to lower its expectations for profit growth and delay corporate action plans until 2019.

Publicly listed Mandiri, Indonesia's largest bank by assets, posted a 49.5 percent growth in net profit year-on-year (yoy) to Rp 20.6 trillion (US\$1.44 billion) in 2017, partly on the back of a drastic fall in its loan-loss provision.

"Our net profit will not grow as high as last year because of a significant decline in our provision," said Bank Mandiri president director Kartika "Tiko" Wirjoatmodjo on Tuesday.

The bank cut its provision by Rp 8.69 trillion to Rp 15.9 trillion in 2017 from 24.64 trillion the year before, helping its net profit to surge.

As the measure will not be repeated in 2018, the bank forecasts that its net profit may only grow by around 10 percent to 20 percent by the end of this year.

Aside from the slashed provision, a 16.4 percent increase in fee-based income to Rp 23.3 trillion helped the bank's net profit growth last year. The increase was higher than the 0.6 percent rise in net interest income to Rp

54.8 trillion.

The growth in fee-based income came from the banks treasury division, primarily through revenues in foreign exchange trading and syndication fees in wholesale business.

As the bank was focused on cutting bad loans, Tiko said plans for inorganic growth might have to be postponed at least until next year.

The bank expects to tamp down its gross non-performing loan (NPL) ratio until it sits between 2.6 percent to 2.8 percent by the end of 2018, from 3.46 percent last year.

Nevertheless, the bank is targeting double-digit growth in profit this year as it seeks to grow its loans by around 11 percent to 12 percent.

It disbursed Rp 729.54 trillion in total outstanding loans in 2017, up 10.2 percent yoy over the previous year.

The bank's goal will be achieved through a number of strategies, including focusing its loan disbursement on two key segments, namely corporate and retail.

With its long time expertise in the corporate sector, the bank will penetrate deeper in several major sectors, including infrastructure, plantations, commodities and consumer goods.

"Commodity prices have improved this year. Hopefully that can help boost loan growth in the

mineral and mining sectors," Tiko said.

Mandiri booked double-digit growth in the retail segment in 2017, prompting it to seek to repeat a similar strategy this year.

The bank's retail banking director Tardi said his office would be more aggressive in channeling mortgages and personal loans, in the hope that both sectors would drive higher overall credit growth.

"There is still huge potential in payroll loans as Bank Mandiri has recorded a total of 4 million payrolls, [but] we have disbursed lending for less than 1 million of them," he said.

As it plans to continue corporate actions in 2019, Mandiri still has up its sleeve a program to support the growth of its two subsidiaries, namely Islamic lender Bank Syariah Mandiri (BSM) and multifinance firm Mandiri Tunas Finance, be it through initial public offerings (IPO) or other means.

"The fastest way is to conduct an IPO for BSM by 2019. We are waiting until its return on equity reaches above 10 percent," Tiko said.

As for Mandiri Tunas Finance, the bank will wait until the subsidiary's market capitalization reaches between Rp 2.5 trillion to Rp 3 trillion before deciding on any corporate action.

Bank Mandiri's shares were down 1.23 percent to Rp 8,025 per share on Tuesday compared to the previous day.



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## AIRLINE

# Garuda aims to secure \$2.5b deal at airshow

**Farida Susanty**

THE JAKARTA POST/SINGAPORE

National flag carrier Garuda Indonesia has targeted a US\$2.5 billion deal at the Singapore Airshow in its bid to expand its business with domestic and international partners.

The target was nearly 19 times its contract deal at the airshow in 2016, where the company secured a \$129.5 million deal.

The airline announced that it would sign the contract with more than 25 customers.

About half of the deal will be a contract between Garuda and its maintenance, repair and overhaul subsidiary, Garuda Maintenance Facility Aero Asia (GMF), and the remaining deal with other parties, including French multinational company Thales as well as e-commerce company JD.id.

"We grow beyond the core. We do not only grow through the airline [business], but also through GMF, Aerowisata and [low-cost carrier] Citilink as part of our strategy," Garuda Indonesia president director Pahala N. Mansury said on Tuesday. "If we rely solely on the airline business, the growth will not be as fast."

Pahala said currently the revenue from ancillary services con-

tributed to around 25 percent of the total revenue while the core business was 75 percent. The composition is expected to shift to 35 percent from the ancillary services and 65 percent from the airline business.

Regarding JD.id, Pahala said the airline planned to use its official website as part of the e-commerce channel distribution, while JD.id also helped develop Garuda's website.

With efficiency measures in place and expected passenger growth, Garuda aims to turn its loss last year into profit again this year.

The airline seeks to post \$4.9 billion in revenue this year, up 22.5 percent from \$4 billion estimated for last year.

In line with that, it hopes its net income reaches \$8.7 million throughout 2018, reversing a loss it has anticipated for the entire 2017. From January to September, Garuda recorded \$221.9 million in losses.

It attributed the big losses seen over the first three quarters of 2017 to its participation in the tax amnesty and a legal settlement for an air cargo fixing case in Australia that cost the airline \$138.3 million and \$7.5 million, respectively. It described both as

extraordinary occurrences.

To generate profit this year, the carrier will rely largely on the cost reduction from the fleet lease that includes the renegotiation of nine aircraft and the postponement in the delivery of around 20. It makes up 25 percent of Garuda's overall operational costs.

The airline also reiterated that the program aligned with Garuda Indonesia Group's target to have a value of \$3.5 billion by 2020.

"It's a form of group synergy, where Garuda Indonesia becomes an aviation industry giant in the region and shows that it can be a one-stop aviation service," Pahala added.

He said Garuda Indonesia had also talked with three financial investors and three strategic investors during the airshow.

After holding an initial public offering last year, where it sold 20 percent of its shares, GMF planned to get a strategic investor to buy its shares, which could likely exceed 10 percent as initially planned.

The search for the strategic investor has started in the fourth quarter of 2017, with BNP Paribas chosen as the financial advisor.

"The finalization [of the strategic investor decision] will be in the second week of April," he said.

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## Muddling with 5 percent



After the official announcement on Tuesday that economic growth last year was only 5.07 percent, the signs have become more apparent that Indonesia is falling into a middle-income trap, with the economy already decelerating to an annual average of 5 percent over the past four years from a 6 percent average between 2010 and 2013 on the back of a commodity boom.

Even though the pace of growth is still respectable within the region, let alone globally, the expansion is way below Indonesia's full growth potential of 7 percent, the level set by President Joko "Jokowi" Widodo as his economic growth target by the end of his term in October 2019.

However, most analysts forecast that the economy will grow within a range of 5.2 to 5.4 percent this year and next. State-owned Mandiri Sekuritas financial service company, for example, forecasts the economy will grow 5.3 percent this year, of which 0.20 percentage points will be generated by spending related to the 2018 regional elections and preparations for the 2019 presidential and legislative elections.

Morgan Stanley though shares the government's expectation of a 5.4 percent expansion. Economists at the central bank foresee an economic growth of 5.3 percent, of which 0.30 percentage points will be generated by "political spending" during the simultaneous regional elections in June.

Yet rather discouraging is that the growth of the manufacturing and agricultural sectors, which together account for 33.50 percent of gross domestic product, is estimated to remain flat at 4.60 and 3.8 percent, respectively. This is bad news for job creation because these two sectors are the most labor-intensive segments of the economy.

There are several other factors that will most likely make the economy continue to muddle through an annual growth of 5 percent, as against 6 to 7 percent before 1997.

The first risk is related to the five-year political cycle, with the presidential and legislative elections being held in April 2019 as the government will soon enter "automatic pilot" mode, during which major reforms will not likely take place because of political pressure from special-interest and populist appeals to voters that often put nationalist campaigning front and center.

The risk is a lack of clear planning for the long term and investment in things such as skills development that don't generate visible returns in the short term. In fact, such lack of forward planning has contributed to the slowdown in investment in the mining and manufacturing industries and weakening discipline in reducing the economy's dependence on fossil fuels.

Development economists, notably those of the World Bank and the Asian Development Bank, have suggested that Indonesia (now with \$4,000 per capita income) should be able to rise from the middle-income level that it achieved in the 1990s to become a high-income level income country (income more than \$11,000) only with a sustained high growth, job creation and reduced inequality. But to foster productivity-driven growth we need to close the infrastructure and skills gaps.