Opportunities In Indonesia Maritime Market

EDDY KURNIAWAN LOGAM
Chairman of Iperindo
TOPICS

• Indonesia’s Snapshot
• Cabotage Principle (2005)
• Shipping Industry Post Cabotage Law
• Shipbuilding Industry Profile
• Shipbuilding Industry’s Challenges & Key Issues
• New Maritime Era Under President Jokowi
• Huge Opportunity
• IPERINDO in Brief

IPERINDO = Ikatan Perusahaan Industri Kapal dan Lepas Pantai Indonesia
or Indonesia Shipbuilding and Offshore Industries Association
INDONESIA’S SNAPSHOT

• The largest archipelago country: ± 17,500 islands, ± 81,000 km shoreline (14% of the world shoreline), 2/3 sea area
  ➢ Land area = 1,910,931,32 km² (Kemendagri, Mei 2010); Sea area = 3,544,743,9 km² (UNCLOS 1982) consists of: territorial area = 284,210,90 km², EEZ = 2,981,211,00 km², 12 mile area = 279,322,00 km²

• Capital: Jakarta
• Currency: Indonesian Rupiah
• Nominal GDP: $895 billion USD (IMF, 2015)
• GDP per capita: $3,415 USD at Current Prices (IMF, 2015)
• GDP growth: 4.7% (2015)
• Population: 255 million (estimated, 2015)
• Productive populations: 66.5% (age 15-64)
• Rich & abundant natural resources
• Projected to become the 10th largest economy in Y2020 – GDP US$3,2 T (Stanchart)
CABOTAGE PRINCIPLES (2005)

Cabotage Principle was initiated in 2005 when the domestic shipping industry in Indonesia almost collapsed as a result of foreign vessels engaging in coastwise transportation.

The initiative was then reinforced by the introduction of the Maritime Law No. 17 of 2008 which was aimed at providing business opportunities and greater market share to Indonesian companies.

Article 8 of the Maritime Law No. 17 of 2008 sets out the following principles:

• That activities relating to domestic sea transportation must be performed by an Indonesian Sea transportation company using an Indonesian flagged vessel which are manned by Indonesian crews; and

• Non-Indonesian sea flagged vessels are prohibited from carrying passengers and or goods between island or ports in Indonesian waters.
Opportunities in Indonesia Maritime Market | IPERINDO

**App 90% of # of vessels’ increase was imported and second hand older tonnage**

---

**SHIPPING INDUSTRY AFTER CABOTAGE LAW**

**Yard’s Installed Capacity**

- **2005**
  - Repair: 2000000
  - New Build: 4000000
- **2012**
  - Repair: 12000000
  - New Build: 6000000

**Number Of Vessels**

- **2005**
  - # of Vessel: 6000
- **2012**
  - # of Vessel: 12000

**Vessels’ Age Distribution**

- 0-5: 25%
- 6-10: 15%
- 11-15: 15%
- 16-20: 13%
- 21-25: 9%
- > 25: 21%
<table>
<thead>
<tr>
<th><strong>Shipyards</strong></th>
<th>• ± 250 companies</th>
</tr>
</thead>
</table>
| **Installed Capacity** | • New shipbuilding \( \rightarrow \) 0.9 Mn DWT/yr  \
 |  • Repair & maintenance \( \rightarrow \) 12 Mn DWT/yr |
| **Facility Capacity** | • New shipbuilding \( \rightarrow \) up to 50,000 DWT  \
 |  • Repair & maintenance \( \rightarrow \) up to 150,000 DWT  
 |  (Graving Dock) |
| **Industry Capability** | • To build up to 1,500 DWT \( \rightarrow \) ± 80% of total yard  \
 |  • To build > 10,000 DWT \( \rightarrow \) 6 yards |
LOCAL YARDS’ CHALLENGES & KEY ISSUES

• Unfavorable Fiscal & Tax Policy on the shipbuilding industry (Import Duty, Corporate Income Tax)

• Lack of financing support (investment & working capital) from banking industry (collateral requirement and high interest rate)

• Equipment's, parts and raw materials are mostly (app 70%) imported

• Limited production capacity

• Production management and ship design can be improved
NEW MARITIME ERA UNDER PRESIDENT JOKOWI (1)

• President Jokowi has declared his vision to make Indonesia the World’s Maritime Axis and outlined an ambitious maritime doctrine to boost economic growth by improving connectivity between the islands of the Indonesian archipelago.

• Government has decided that all government and state-owned companies’ vessels procurement have to be built locally

• Government has proven its commitment by purchasing vessels to local shipyards
  - Sea Comm – total 188 vessels: 73 patrol boats, 95 passenger 1,200 & 2,000 GT vessels, & 15 navigation vessels, Rp. 11.8 T eqv US$ 875 Mio
NEW MARITIME ERA UNDER PRESIDENT JOKOWI (2)

- Government has exempted Value Added Tax (10%) last year
- Government has issued business licenses to 11 companies to operate bonded logistics warehouses in the beginning of Y2016
- Government has opened the opportunity to private sector to invest and operate sea ports

Note:
IPERINDO is lobbying the Government to exempt the Import Duty as well
HUGE OPPORTUNITY (1)

- **The development of large-scale shipyards to build larger size and more complex vessels**
  - Few existing large shipyards
  - Lower land price
  - Trainable labor at lower cost

- **The development of premium repair & maintenance yards**
  - Docking for most of medium-large vessels has to be done overseas
  - Long waiting period to get docking space
  - Most of foreign equipment makers do not have local warehouse

- **The production of equipment's, parts and raw material locally**
  - Most of winches, anchors, valves etc. are still imported

- **The production management and ship design services**
  - Proven design will help to accelerate and improve future ship building
HUGE OPPORTUNITY (2)

- The development of recycling business due to rejuvenation of old vessels (30% >20 years)

- Shifting from oil to gas will trigger LNG-related businesses from processing (FRSU/FSU), transportation (small-medium LNG carriers), storage (LNG tank farms), etc.
IPERINDO IN BRIEF

IPERINDO
Ikatan Perusahaan Industri Kapal dan Lepas Pantai Indonesia (Indonesia Shipbuilding and Offshore Industries Association)

Established: 11 March 1968
Purpose: To support and develop shipbuilding & offshore industries as well as its supporting industries
Function:
- Consolidate ideas of its members for industry’s growth
- Advocate and represent members to meet the Government’s officials and other important stakeholders

Members: 142 Companies
- 94 shipbuilding companies
- 1 offshore company
- 39 supporting industries
- 4 classification companies
- 4 consulting companies
WELCOME TO INDONESIA

We welcome and support you to invest and expand in Indonesia and participate in building Indonesia to become the World’s Maritime Axes

Thank you