

CRITICAL COMMERCIAL ISSUES RELATED TO PORTS AND SHIPPING BUSINESS IN THE ERA OF INDONESIA MARINE HIGHWAY POLICY



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PRESENTATION POINTS...

- Issues – On Marine Highway Policy
- Existing maritime developments
- General and critical issues for port and shipping business
- Commercial risk components
- Economic slow down
- Recommended Strategies



Key commercial issues on marine highway policy:



- Potential deeper and larger ports will be provided for \$ 3,1 billion
- Shipping network is expected to be adjusted
 - ✓ West to East and return routes
 - ✓ Domestic hub and feeder ports re-arranged
 - ✓ Container, SSS, People shipping and Perintis shipping will be distributed
 - ✓ \$ 8,5 billion to be invested for new ships
- Hinterland infrastructures including multi-mode transports and dry ports will be developed

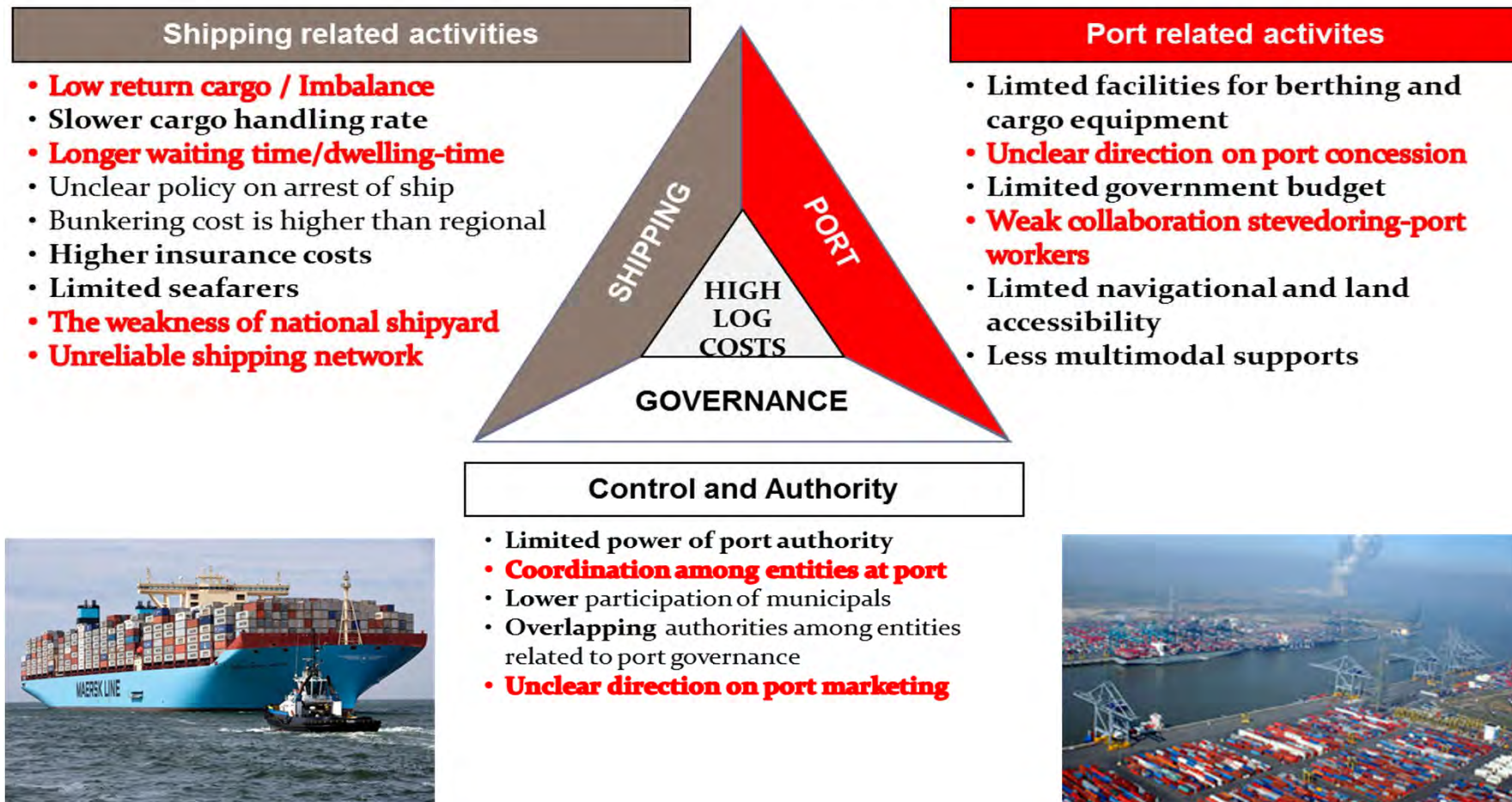


EXISTING MARITIME DEVELOPMENT OF INDONESIA

- **GDP Growth** in the range of 5-6 percents in 2005-2014
- **Total seaborne trade** about 865 million tonnes in 2012 (at five major ports) and about 968 million tons for all ports. Due to higher maritime dependency factor of domestic trade, the total seaborne trade in 2014 reached at about 1,1 billion tons
- In 2012, **total container throughput** is almost 11 million TEUs **Container growth** is fluctuated in the range of 6-16 percents (2005-2012) and increased to 12 million TEUs due to higher level of containerisation to about 60 percents
- **Higher economy growth** of local provinces due to higher demographic and industries
- Major shipping cargo and port throughput at **six major ports**: *Tanjung Priok* (Jakarta), *Tanjung Perak* (Surabaya), *Belawan* (Medan), *Tanjung Emas* (Semarang), *Makassar*, and *Balikpapan*

A Number of Stumbling Blocks in General...

Three major problems – hindrances but also potentials to be developed



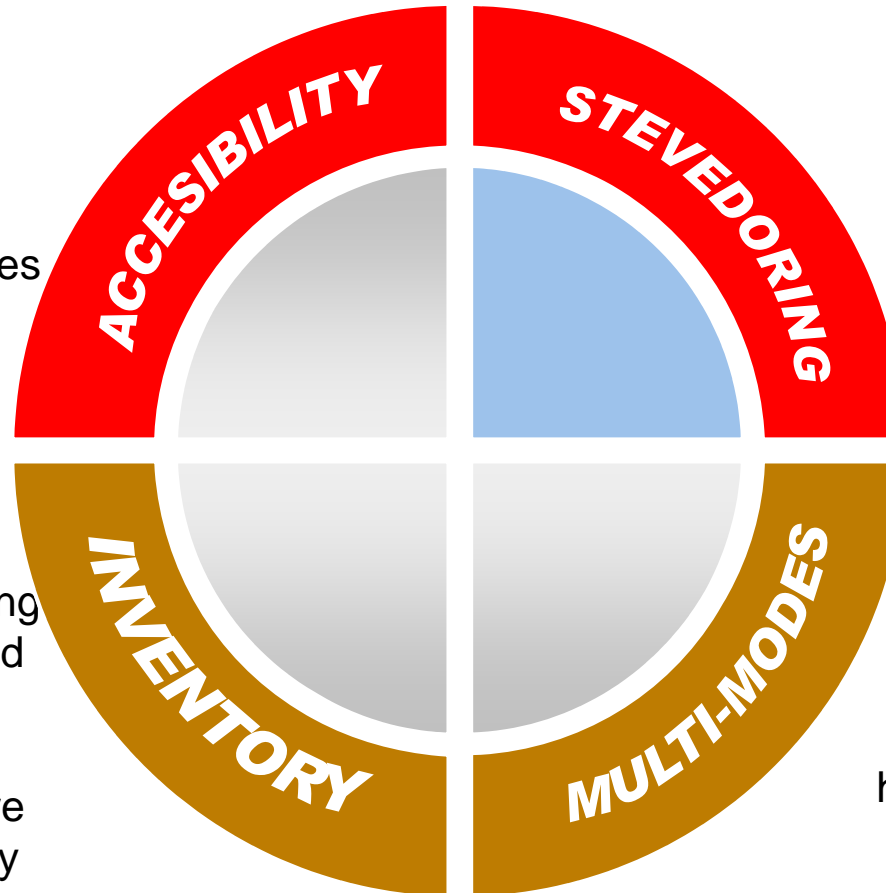
Problems – *Critical Port Operational Factors*



There are four main operational factors that create delays and higher logistics costs

Particularly on limited navigational and inland accessibility that slow the increasing traffic of cargoes and ships to & from ports and add the waiting and delays

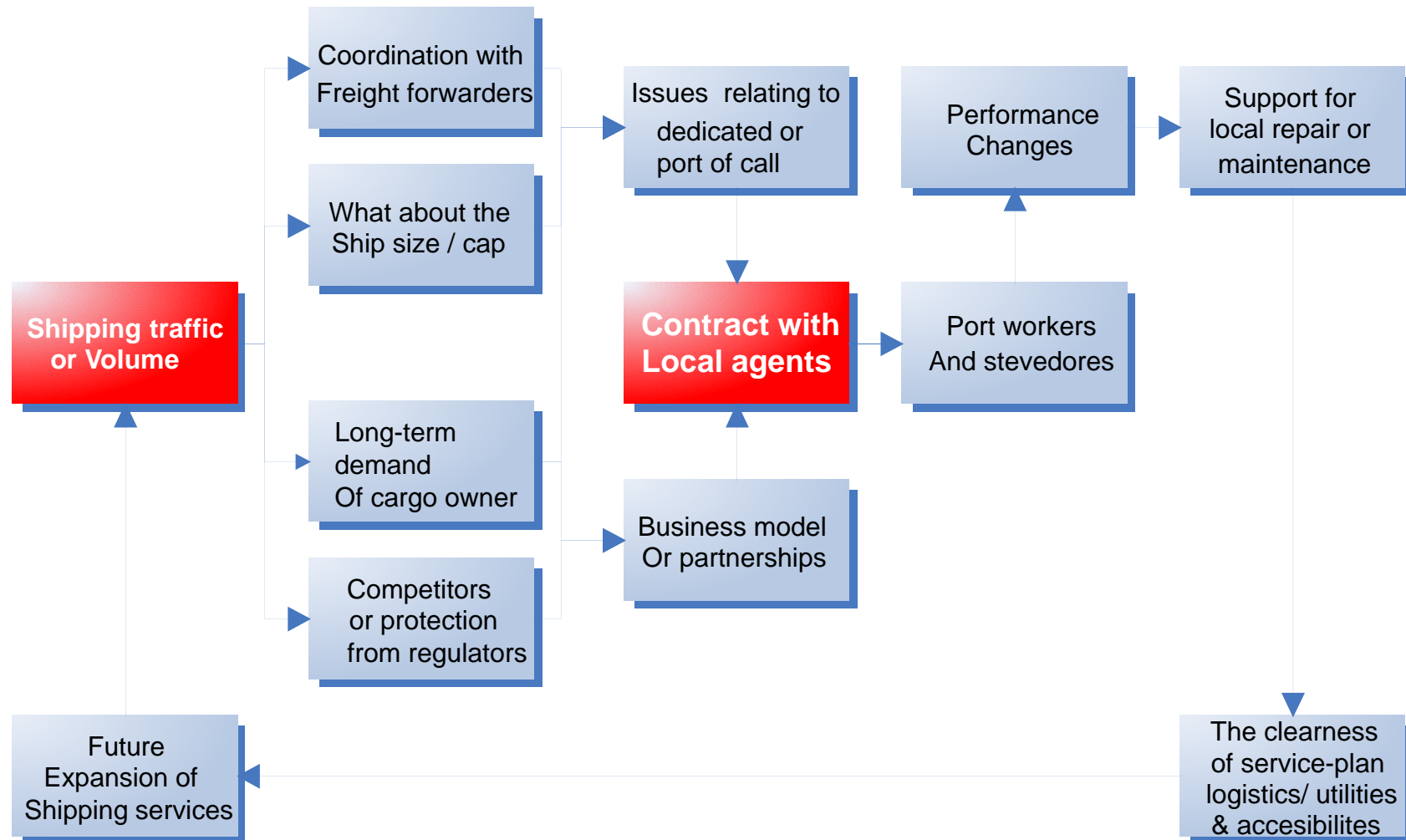
Storing and consolidating facilities are much required for cargoes in-out of hinterland and foreland. Due to this larger ships are limited to call economically



Lack of berths for ships calling that stimulate higher waiting time and total turn-round time at ports including higher demurrage costs of ships

The support of multimodal transportation is still fragmented and not integrated. Due to this higher inland transport is higher and not efficient

PROBLEMS THAT SHIPPING INVESTORS SHOULD CONSIDER



Surveys on port operators + logistics operators ...



From about 50 senior manager perspectives.....



Look at potentials and hindrances of maritime business across Indonesia in the periods 2010-2011 and 2013-2014

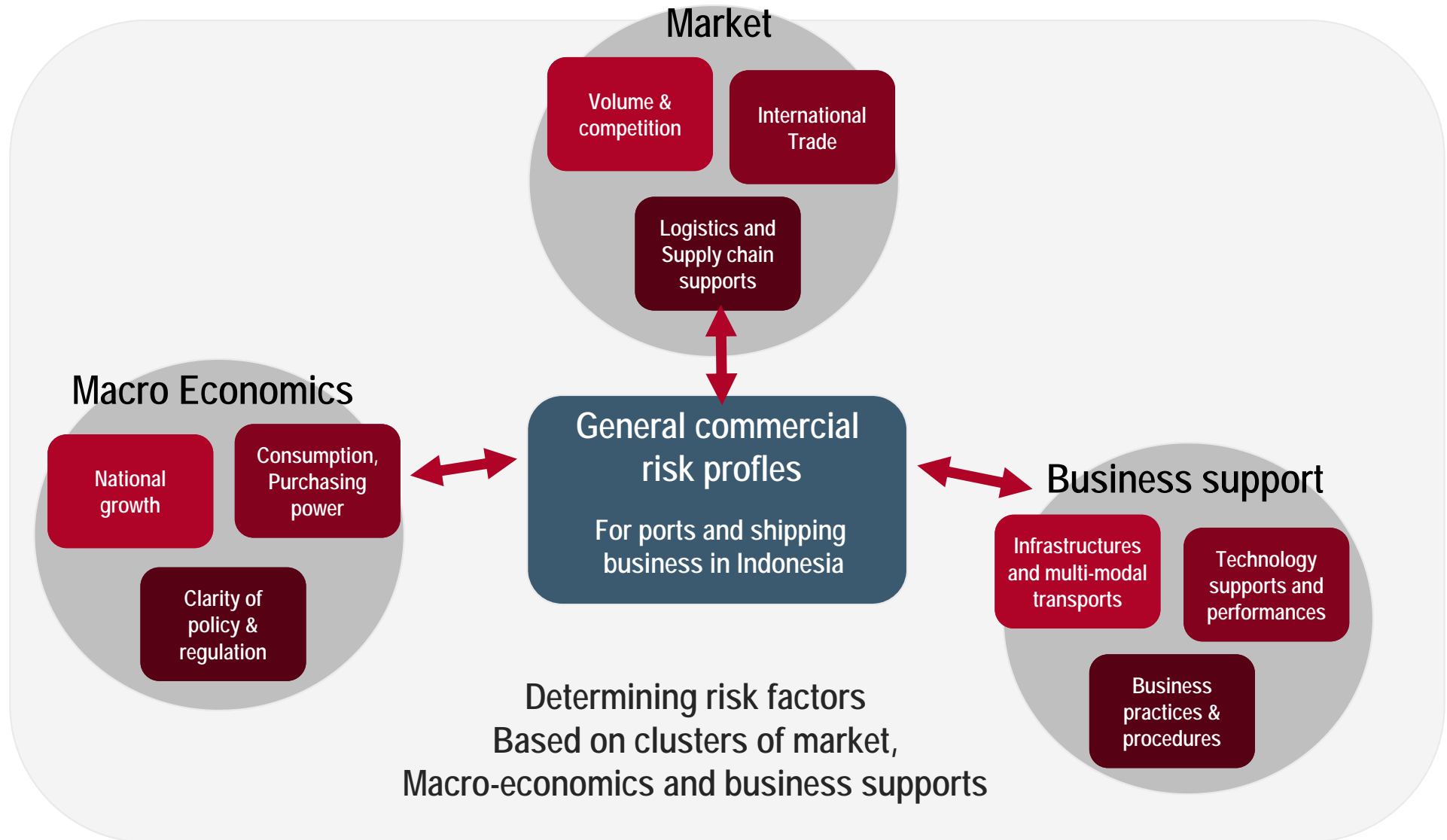
Their perceptions in the two periods...



Perception of Port Operators...	Perception of Logistics Operators...	Perception of Port Operators...	Perception of Logistics Operators...
<ul style="list-style-type: none"> Incentives for foreign investors Multimodal support & infrastructure Economic and political situation The clarity of policy and regulation Competition rules and arrangement Supply chain supports Cultural impact International trade orientation Local partner Market volume & expansion Business practice & Procedures Technology supports Environmental quality Service system & strategies Security and safety systems Availability of skilled labour Industrial disputes Operational costs 	<ul style="list-style-type: none"> Market volume & expansion Incentives for foreign investors Supply chain supports Technology supports Service system & strategies The clarity of policy and regulation Economic and political situation Multimodal support & infrastructure Business practice & Procedures Environmental quality Cultural impact Security and safety systems Local partner International trade orientation Competition rules and arrangement Industrial disputes Operational costs Availability of skilled labour 	<ul style="list-style-type: none"> Multimodal support & infrastructure Economic and political situation The clarity of policy and regulation Incentives for foreign investors International trade orientation Local partner Business practice & Procedures Competition rules and arrangement Supply chain supports Cultural impact Market volume & expansion Environmental quality Service system & strategies Security and safety systems Technology supports Availability of skilled labour Industrial disputes Operational costs 	<ul style="list-style-type: none"> International trade orientation Market volume & expansion Local partner Incentives for foreign investors Supply chain supports Multimodal support & infrastructure Technology supports Economic and political situation Service system & strategies The clarity of policy and regulation Business practice & Procedures Environmental quality Cultural impact Security and safety systems Competition rules and arrangement Industrial disputes Operational costs Availability of skilled labour
2010-2011		2013-2014	

From the two periods, it's indicated that investors may prefer for international market. The higher the points the more of risks considered

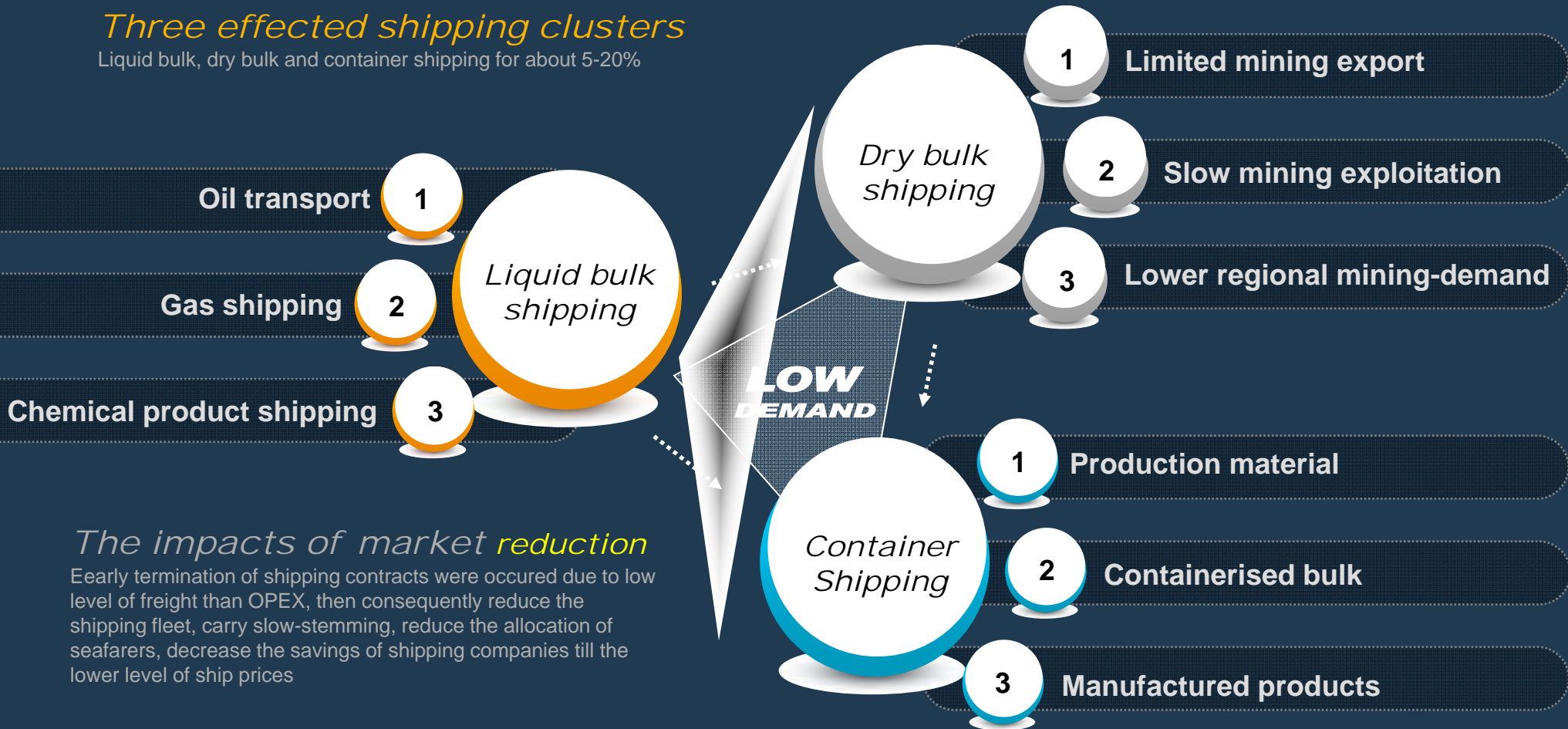
Commercial risk components



SLOWDOWN OF SHIPPING MARKET

Three effected shipping clusters

Liquid bulk, dry bulk and container shipping for about 5-20%



The impacts of market reduction

Early termination of shipping contracts were occurred due to low level of freight than OPEX, then consequently reduce the shipping fleet, carry slow-stemming, reduce the allocation of seafarers, decrease the savings of shipping companies till the lower level of ship prices

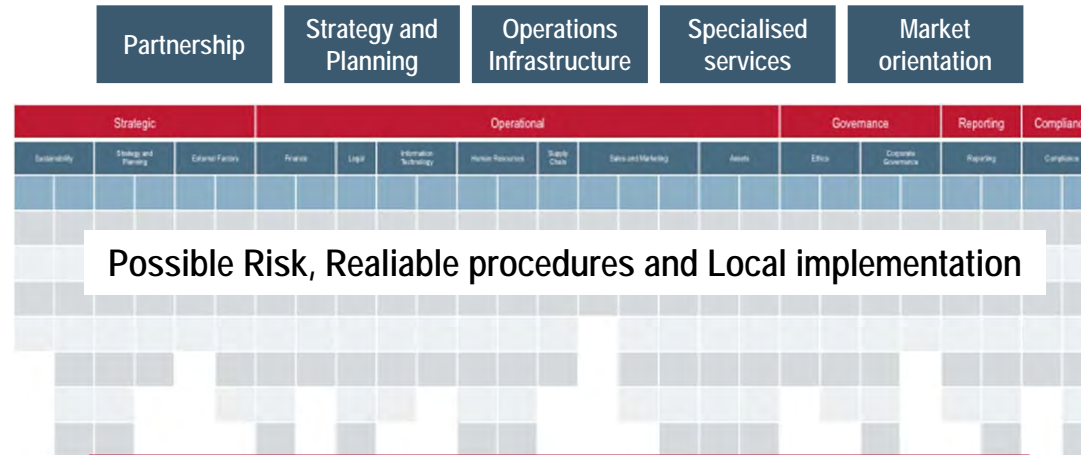
Probable Strategies related to Risk Profiles



Various aspects to be explored

Risk Profiles due to:

- Macro economics
- Maritime economics
- Market
- Business supports
- Infrastructure



Each Risk/Compliance Class

- Port Operations
- Shipping services
- Ship operations
- Cargo logistics
- Incidents/Claims/Losses
- Safety/Security Exposure

Top Down

Aggregated Corporate Strategies and Application

Port Business
 Dedicated partners
 Increase facilities & equipments
 Performance Monitoring

Shipping unit
 Agent Management
 Long-term cargo guarantee

Multimode unit
 Rail-based services
 Trucking fleet management
 Sharing among road-rail

Inventory Unit
 Integrated warehouse
 Dry port operation
 Inland infrastructures

Bottom Up - Individual Risk strategies for each business unit and objective

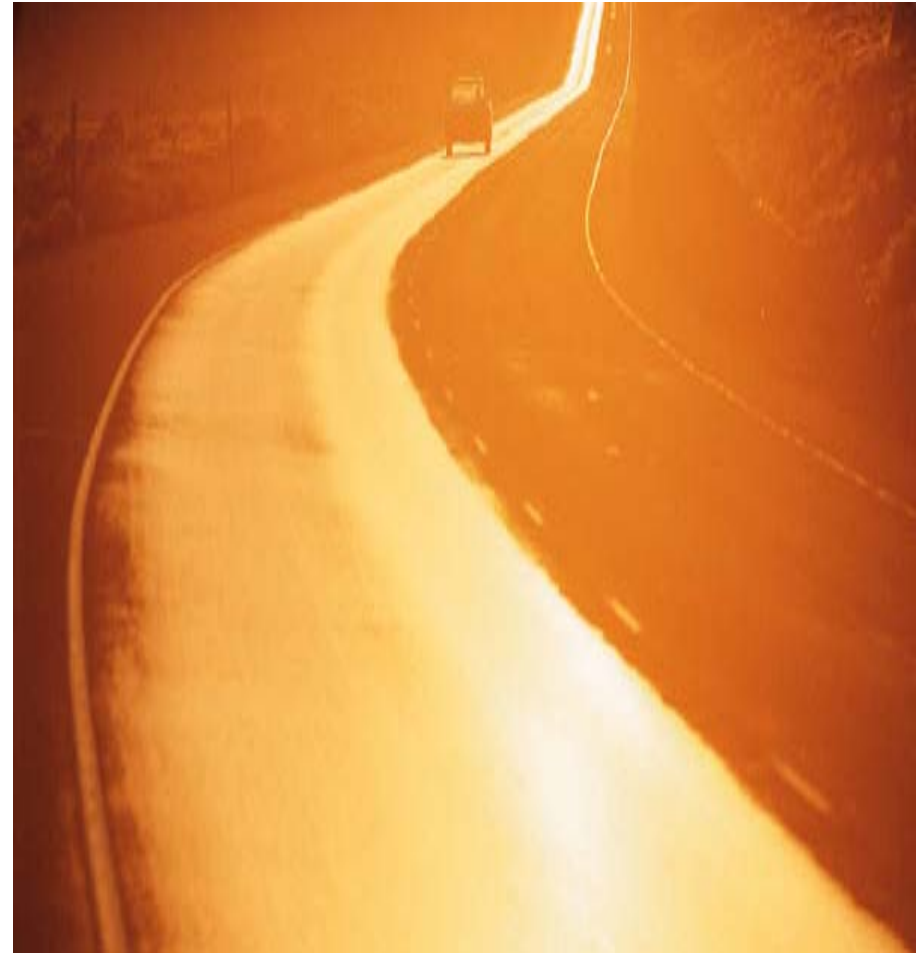
CONCLUSION

Despite of various business potentials in the era of marine-highway, various risks also exist and may occur in relation to:

- Port and shipping governance
- Infrastructures and accessibilities
- Multimodal and logistics supports
- Business practice & support
- Continuous domestic economic growth
- The prosper demographic support
- Concessions and competition

Plus...

- Safety and security
- Operational costs





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Questions

Thank You