

LOGISTICS AND PORT REFORM: THE CHALLENGES OF IMPLEMENTING REFORM IN INDONESIA

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June, 12 2014



THE IMPORTANCE OF LOGISTICS AND PORTS

Global supply chains require cost-effective and reliable delivery schedules. Ports are often a key bottleneck to ensure timely delivery

Domestically **inter-island trade** will expand if the costs allow transport of products from Eastern Indonesia to processing facilities in Java

Indonesia presents itself increasingly as a maritime economy. Ports and shipping are high on the agenda



IT IS CHEAPER TO SHIP ORANGES FROM CHINA TO JAKARTA THAN FROM PONTIANAK



Jeruk Pontianak, Indonesia

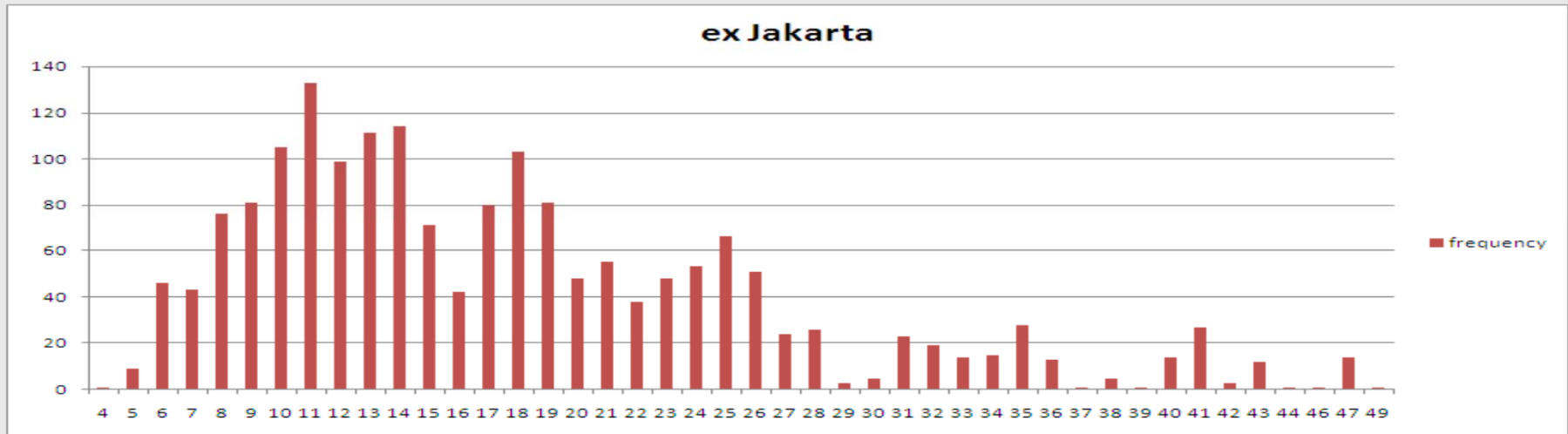
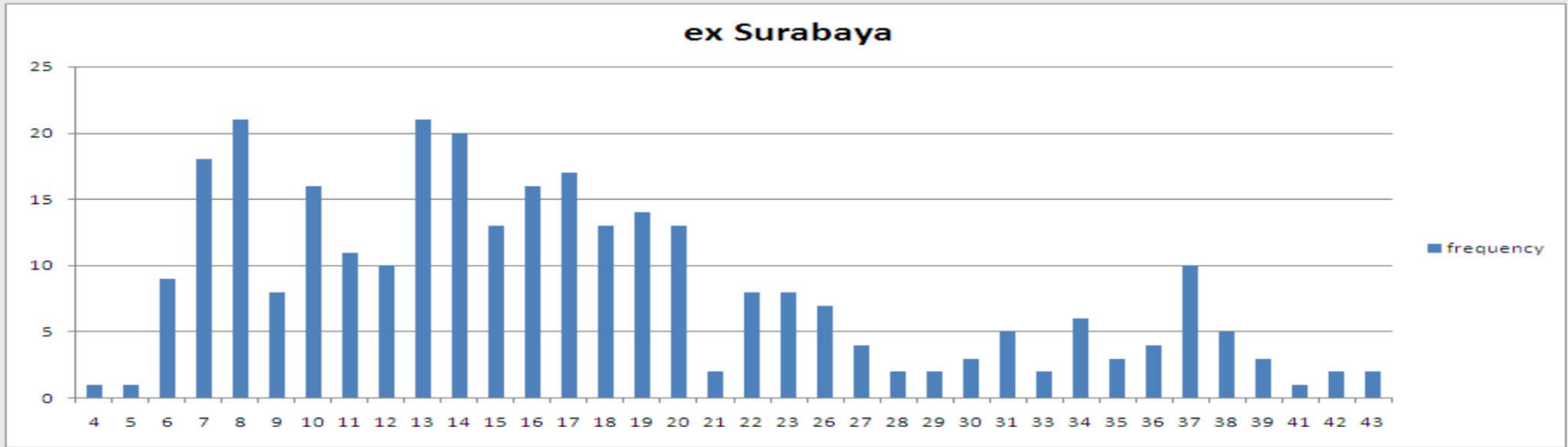


Jeruk Mandarin, China

DOMESTIC SHIPPING COSTS IN INDONESIA ARE HIGH



NUMBER OF DAYS NEEDED TO SHIP GOODS FROM JAKARTA AND SURABAYA TO BANJARMASIN



PORTS, DOMESTIC SHIPPING AND HIGH LOGISTICS COSTS

Recent policies in Indonesia to promote domestic trade are a combination of

- ‘Protective measures’ that increase the price of imports
- Implementation of port and logistics master plans that aim at reducing supply chain costs and improving ports
- This presentation will look the challenges of implementing the port and logistics master plans**



TACKLING INDONESIA'S HIGH LOGISTICS COSTS. A LONG-TERM STRATEGY HAS BEEN DESIGNED

- ❖ Logistics blueprint issued as a Presidential Decree (2012)
- ❖ Port Master Plan issued as a Ministerial Decree
- ❖ Quick wins and long-term strategy
- ❖ Two cases that highlight the implementation challenges:
Cattle transport from Eastern Indonesia and Indonesia's
main port **Tanjung Priok**



PORT AND LOGISTICS MASTER PLANS

- **Port master plan – identification of 25 key international gate ways. This should help to create scale economies and reduce the back haul problem**
- **Logistics blueprint – improve inter-island shipping as a key to lower the costs of domestic trade**
- **Both plans prepared by the private and public sector**
- **Their implementation involves stake holder coordination**



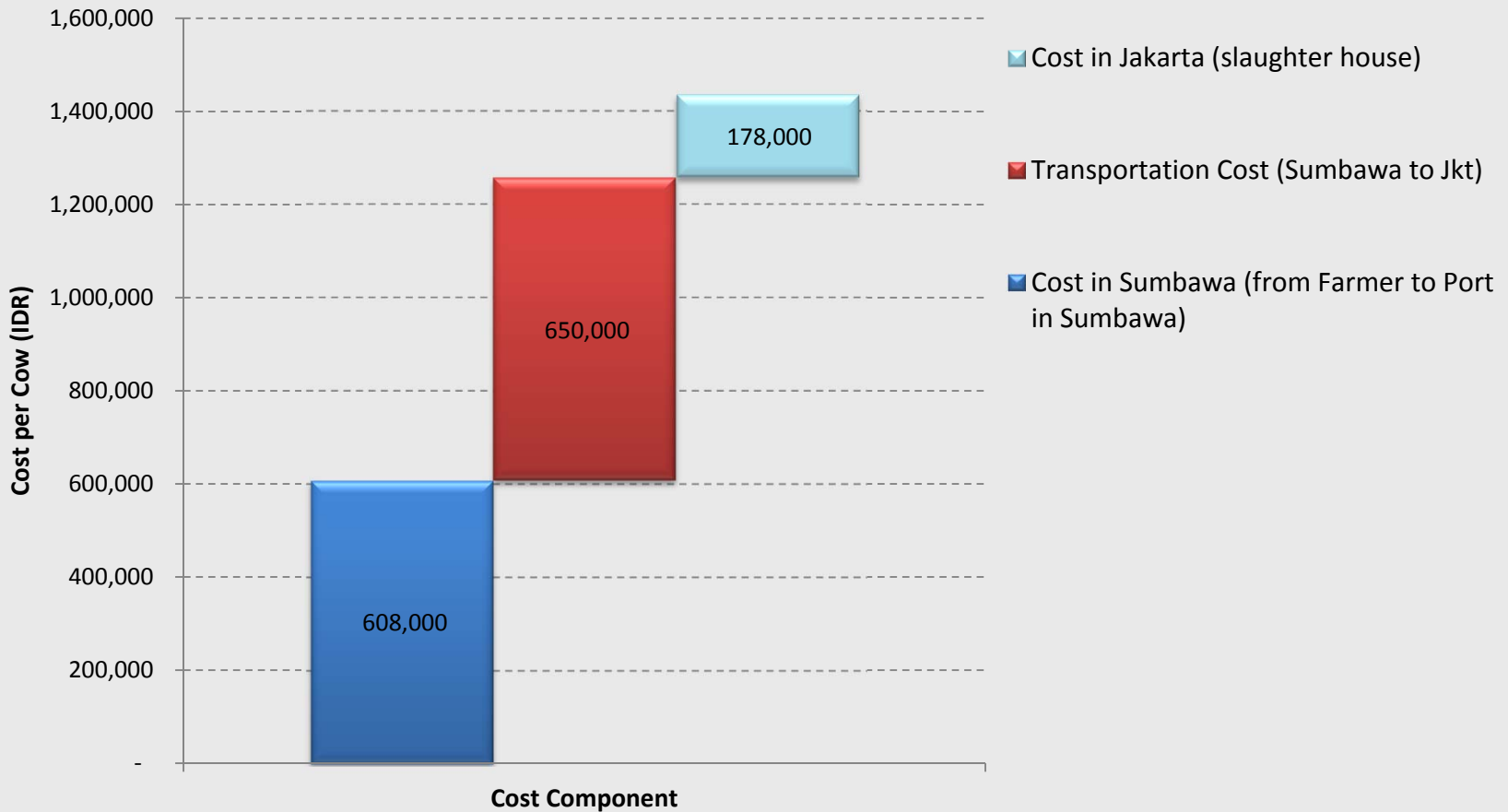
TRANSPORTING CATTLE FROM SUMBAWA: TO JAKARTA



THE CHALLENGE OF IMPLEMENTATION. CATTLE TRADE BETWEEN SUMBAWA AND JAKARTA



COSTS OF TRANSPORTING CATTLE FROM SUMBAWA TO JAKARTA (PER COW)



LOGISTICS BLUEPRINT CALLS FOR SELF SUFFICIENCY IN CATTLE PRODUCTION AND A DECLINE OF IMPORTS

- ❖ Total costs of transporting cattle from Sumbawa to Jakarta are **higher** than the costs of importing cattle
- ❖ **Costs from farmer to the port in Sumbawa are more than 40 percent of total costs**
- ❖ Costs in Sumbawa are high due to **high costs incurred in ports**

Waiting time, clearance processes, availability of ships, fees and taxes



CHALLENGES

- ❖ **Poor local infrastructure in Sumbawa drives up the costs.**
Who pays for the upgrading of local roads?
- ❖ The port in Sumbawa is state-owned and determines which ships may dock. **Terminal handling charges are higher than in Jakarta and Surabaya.**
- ❖ **Regulations also limit which companies may ship cattle between Sumbawa and Java.** Licenses are issued by regional governments
- ❖ Challenges of inter-department and central-local government coordination



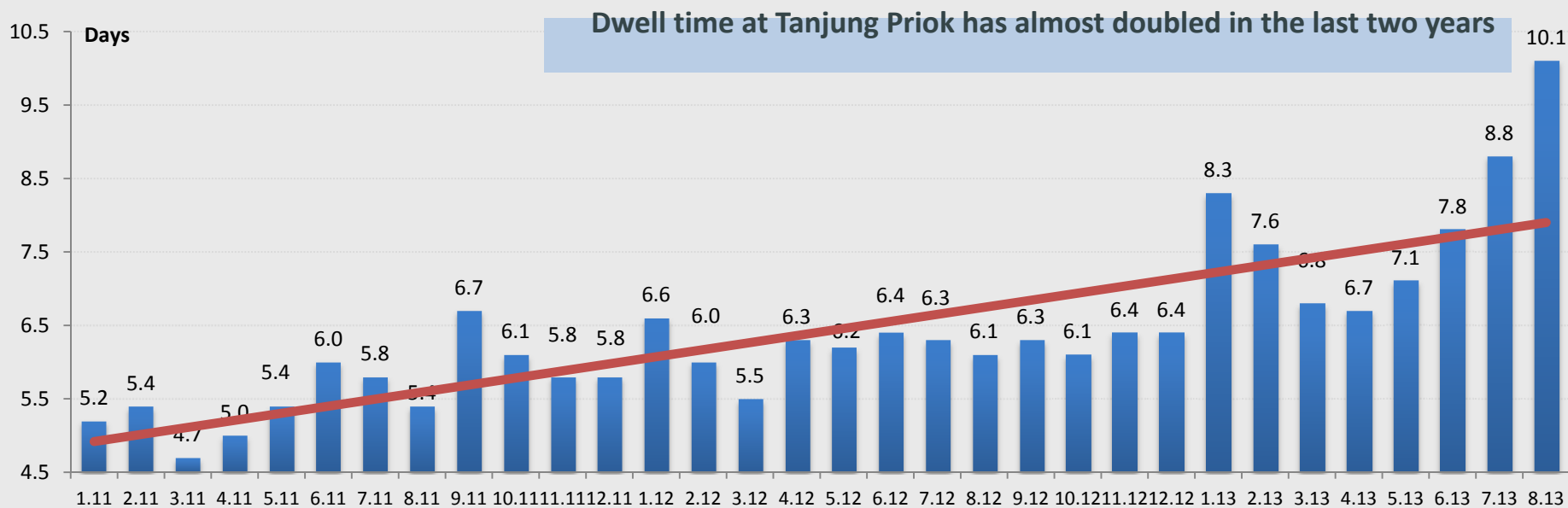
THE 'MOTHER OF ALL CHALLENGES' – IMPROVING THE PERFORMANCE OF TANJUNG PRIOK PORT IN JAKARTA



DWELL TIME TRENDS IN THE PORT OF JAKARTA

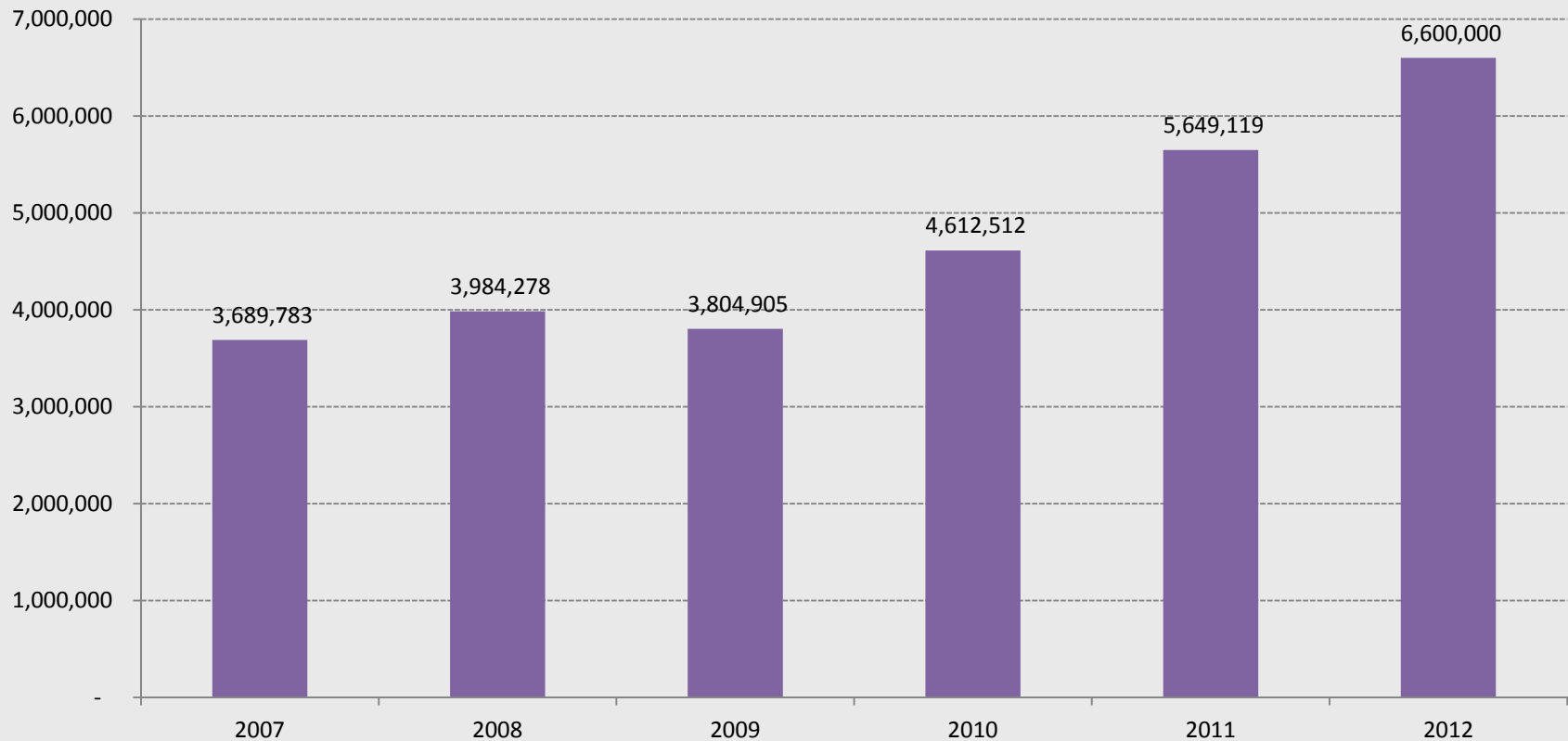
Dwell time is defined as the elapsed time that cargo spends within the port limits, from the moment it is unloaded from the vessel and is on the ground until it leaves the port premises

- **Increase overall trade costs**, impacting productive activities, especially for export and re-export-oriented industries
- **Import dwell time** is an important issue in an archipelago like Indonesia

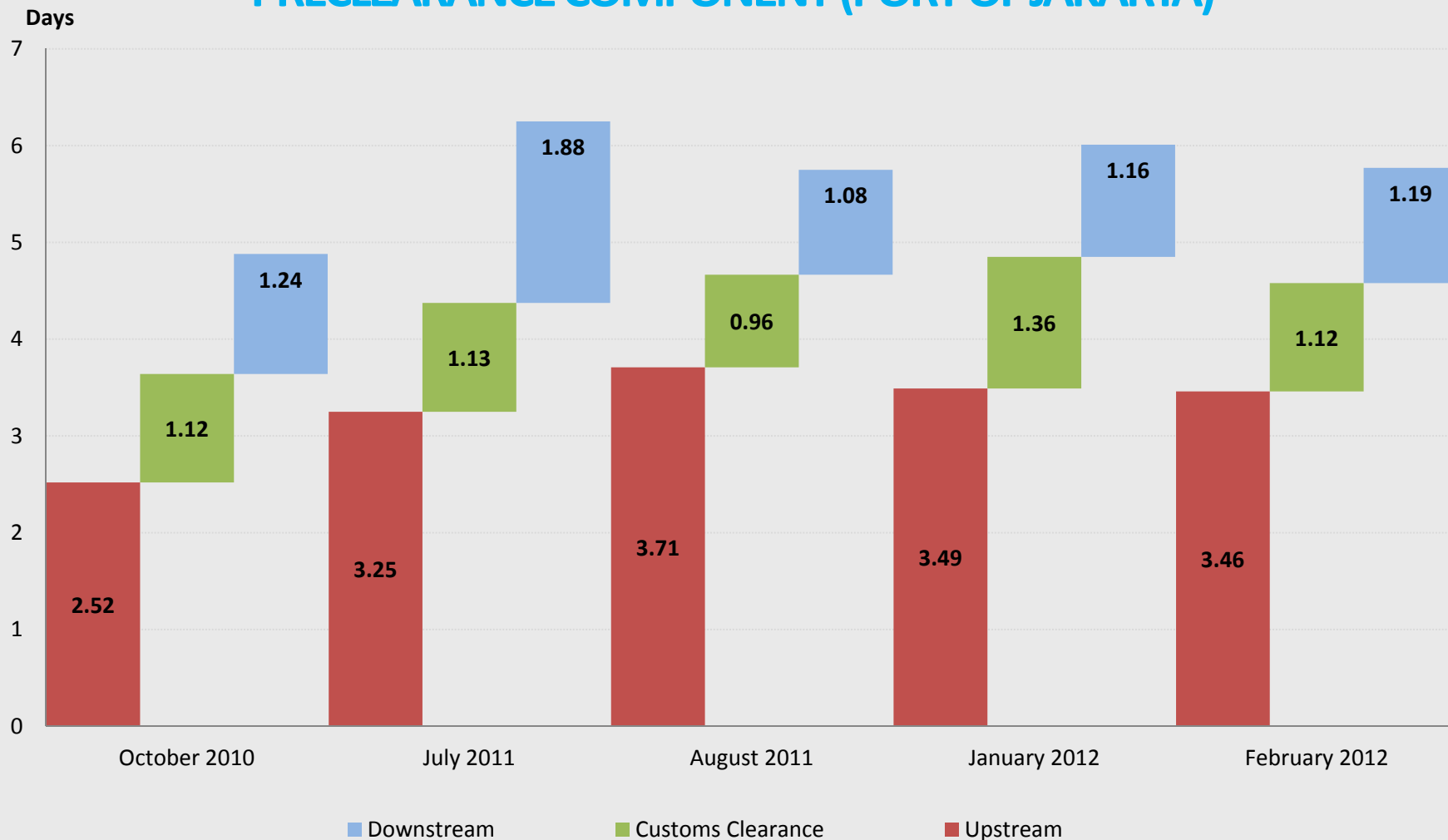


THE NUMBER OF IMPORTED AND EXPORTED CONTAINERS IN JAKARTA IS GROWING RAPIDLY

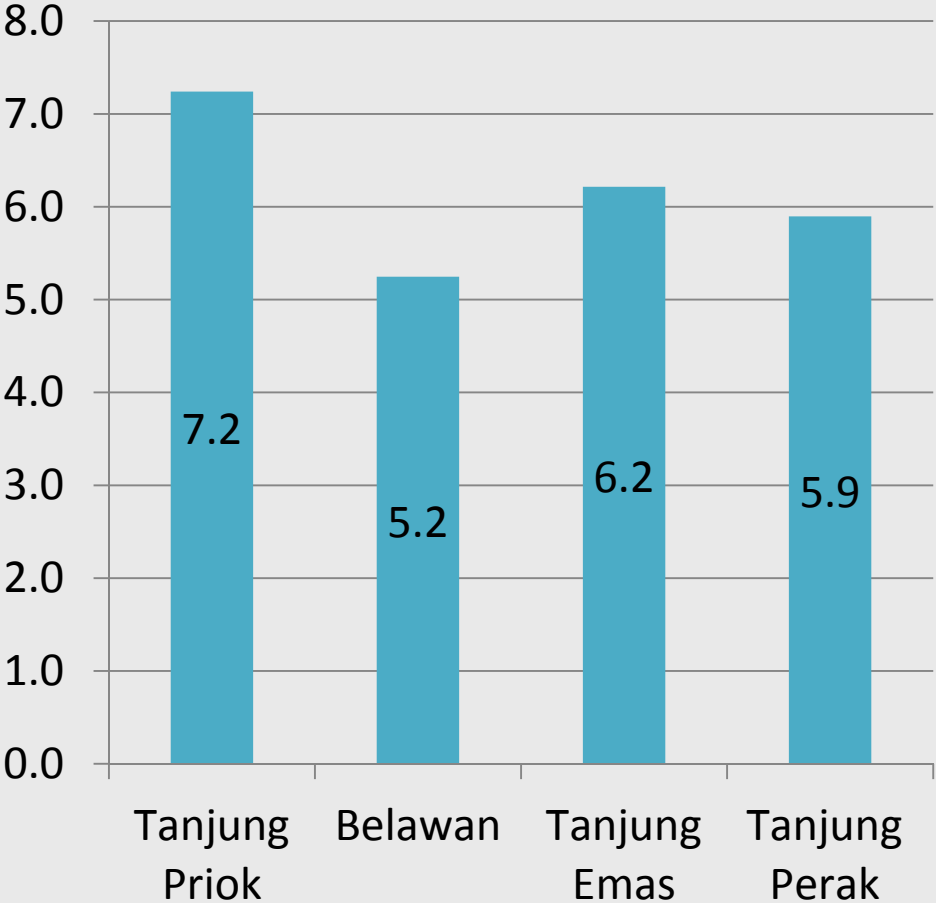
Tanjung Priok Throughput (TEU)



MORE THAN 50% OF THE LENGTH OF DWELL TIME IS IN THE PRECLEARANCE COMPONENT (PORT OF JAKARTA)



PRECLEARANCE IS NOT ONLY AN ISSUE IN THE PORT OF JAKARTA. WE HAVE DATA ON FOUR PORTS



	Containers	%
Tanjung Priok	19,306	73
Belawan	778	3
Tanjung Emas	1,314	5
Tanjung Perak	5,203	20
Total	26,601	100

This suggests that the length of preclearance is not associated with size of port

THE CHALLENGES

- ❖ **No 24/7 services and no integrated inspections.** Still topic of inter-department discussion
- ❖ Higher penalties **remain low** compared with hiring professional warehouse capacity. Shipping lines offer “free demurrage” for up to 21 days
- ❖ New Ministry of Agriculture and Trade regulations have resulted in **more physical (so called red lane) inspections**
- ❖ Dry port’s use is constrained because it is **not a natural extension**
Tanjung Priok



TO CONCLUDE....

- ❖ **Logistics matter to compete on international markets and domestically**
- ❖ **Indonesia has made progress in improving its logistics performance especially in the private sector**
- ❖ **Coordination remains a key issue**
- ❖ **Implementation turns out to be a real challenge**
- ❖ **Improving ports and logistics involves multi stake holders**

