

Study :

**BUSINESS OPPORTUNITY AND CHALLENGE OF NAVIGATION AND SHIPPING IN
INDONESIA, 2009**

**(In the middle of Cabotage Principle implementation and UU No.17/2008)
September, 2009**

Even though facing the challenges in the middle of global economic crisis, navigation and dockyard industry is able to implement the President Instruction No. 5/2005 about the Cultivation of National Navigation Industry, seemed to show some results and encouraged the growth of national shipping and navigation companies, and increased the total of shipping fleet significantly. In 2008, the number of shipping companies was increased from 1,831 to 1,980 units. Likewise, with the total vessels fleet in the same year was increased to become 8,165 units or increased about 14.3% of the previous year.

With the Roadmap of cabotage principle, which obligated the domestic commodity shipment by Indonesian ship until 2011, has given satisfactory result, so since the beginning of 2006, the government decided six out of 13 domestic commodities should be shipped by Indonesian ship and carried out by national company. Six types of commodities are container, wood and its primary processing product, general cargo, cement, fertilizer, and rice, which should be using Indonesian flagship as the form of cabotage principle implementation.

Furthermore, the implementation of cabotage principle is gradually carried out for each commodity. Transpiration of palm oil, mine and quarry, other grains, vegetables, fruit and fresh fish (fresh products), was carried out on 1 January 2008. Especially for liquid and chemical compound, and farming grains, would be carried out on 1 January 2009. While, transpiration of oil and natural gas is performed at the latest 1 January 2010. For coal, would be carried out when the contract period end and at the latest 1 January 2010. While for the transpiration of oil and gas upstream and downstream business activity (offshore) at the latest on 1 January 2011.

This opportunity was not utilized maximally by the domestic navigation industry, considering the ship capability owned by the operator was still small and the age is relatively old. On the other hand, dockyard industry is not ready to build new ship of the certain type, because the limitation of fund and the components still have to be impiered. Meanwhile, the financing institution and the national banking are still reluctant to disburse their credit, if any, the interest rate applied is relatively high. On the contrary, foreign bank is willing to give loan with the condition that Indonesia has ratified the arrest of ship.

The red tape that is still covering the navigation industry, aside from the difficulty in obtaining financing, also to obtain multiyear lease contract from the owner of the commodity. For example, data from Bank Indonesia, the credit in the navigation industry sector as of February 2009 reached only Rp 19.7 trillion from the allocation of Rp 1,334 trillion. According

PT MEDIA DATA Riset

Office : Jl. SMA XIV No.12A, Cawang-UKI, Jakarta Timur, Phone. **021-8093140, 021-809 6071**

Fax. **021-8096071** Mobile. **085217061945**

Branch : Jl. Pakis Tirtosari No.20, Surabaya, Phone.**031-567 4872**, Fax.**031-567 4872**

Website : www.mediadata.co.id

to the Deputy Governor of BI, the business players of navigation and shipping should be opened in submitting the business prospect and loan repayment capability, so the bank is willing to disburse the credit as the banking reference.

However, recently, Bank BNI disbursed new credit to PT PAL Indonesia as much as US\$ 25.5 million to finance four new ship projects. Whereas, the credit disburse to PT PAL has reached US\$ 83 million. Likewise, national banking that has disbursed credit to PT PAL, among other are Bukopin, Deutche Bank AG, and BII. Even PT PANN Multifinance, a financing BUMN in the ship procurement sector, has prepared additional fund of Rp 1.5 trillion for 20 units of container transpier ship, bulk cargo, and offshore transpier.

Besides, set forth the aspect of navigation and shipping company performance, this study book that was prepared by PT Media Data Riset, is discussing the role of its suppling industries, such as steel industry, the pier and harbor infrastructure condition, navigation, ship condition, and the role of foreign ship in Indonesia, including offshore ship, and the policy of various ship components that should be impiered. So, this book is very useful for the players and the decision makers of the involved parties, such as banking, supplier, investor, capital market circle, and other involved business circles.

This comprehensive study book is offered at the price of **Rp 5,000,000 (Five million rupiah)** per copy for the Indonesian version or **US\$ 750 (Seven hundred and fifty US Dollar)** per copy for the English version. The interested applicant could directly contact PT Media Data Riset Jakarta through telephone number **(021) 809 3140, 809 6071, facsimile (021) 809 6071**, or e-mail to info@mediadata.co.id The order form is attached to this proposal letter. For overseas or outside Jakarta order, additional delivery fee would be charged.

Jakarta, September 2009

PT Media Data Riset

Mansur S
Marketing Manager

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