Opportunities, Problems and Potential Solutions for Future Indonesia Port Development

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Opportunities

“The real centre of the world in terms of commerce, infrastructure, trade and maritime trade will increasingly be the greater Indian Ocean area, meaning that large vast organic continuum that stretches all the way from the Horn of Africa to the Malacca and Sunda straits of greater Indonesia up through to the Sea of Japan. So that is the map we should focus on in the future.”

“The Strait of Malacca where Indonesia is located carries three times as much oil on a given day than the Suez Canal and 15 times as much as the Panama Canal. The Strait of Malacca that is Indonesia has the same strategic importance in this world as the Fulda Gap in central Germany had for military maps in the Cold War.”

- Robert D. Kaplan, author of Monsoon

High-Level Roundtable Conference on Global Infrastructure Investment Strategy: Integrated All-Stakeholder Road to Profitability and Peace’ at the Belgian Senate, 24 February, 2016.
2030: Indonesia in the Middle of Global Economic Development

Source: Global Marine Trends 2030, Lloyd's Register
Major Container Trade Routes

Source: Global Marine Trends 2030, Lloyd's Register
Key Problems (I)

1) The total requirement of infrastructure investment in the Asia Pacific region of 1.7 trillion USD is only slightly higher than the infrastructure investment deficit of Indonesia.

2) Models and consequences of Indonesia’s colonial past have insufficiently been replaced by institutions and a market structure that allows the fullest use of Indonesia’s strengths. Among these: rich in natural resources including food and water; a median age of 29; a regular annual 5% economic growth; its geostrategic location that compensates the horror of natural disasters with an abundance of geothermal energy.

3) Insufficient and inadequate use of Presidential Regulation No. 38/2015 requiring optimized (SOE) procedures and practices as a basis for Public Private Partnerships (PPPs) as the only way to compensate a lack of government funds to create the required ports and infrastructure.
Key Problems (II)

4) A substantial lack of legal security, a key requirement for correct long-term investment.

5) Perhaps most urgently: lack of one strategy, one institution and one globally recognized top management to implement, nation-wide and with benefits for all, the Presidential Global Maritime Fulcrum plan.

6) Perhaps most dramatically: lack of education and training for a multi-million workforce that should be able to lift itself out of poverty if port and infrastructure would optimally employ each and every able Indonesian at all required levels.
Consequences

- 30 million Indonesians under poverty level
- 90 people million people vulnerable
- Up to 40% malnourished children in certain regions

There is a direct relationship between ports and infrastructure and a still growing rich-poor divide.
The Jakarta Post, 12/12/18

• Do we need the experts to tell us that our ports and related infrastructures are the worst-performing in the region?

• Do we need to be lectured about the lack of essential training of our workforce that leads the Government to hire foreign labour?

• Are our parents not aware that their best-performing sons and daughters do not want to return after a superb architectural education abroad?

**No, we do not**

Already 10 years ago we adopted Law No. 17 creating the basis for a port management model that allows many of the global ports to be profitable.
Solutions (I)

1) 2015: SOE Minister H.E. Rini Soemarno successfully starts discussions with Pelindo I-IV to combine these into one holding; implementation of such an agreement including agreement on one strategy, one institution, one globally recognized management

2) The government fully implements Presidential Regulation No. 38/2015

3) The government activates the already adopted Law No. 17/2008 including the Landlord Model including foreign entities

4) Application of Viability Gap Funding in accordance with Presidential Regulation No. 38/2015 on PPP in infrastructure provision, Minister of Finance Regulation no. 223/PMK.011/2012 on provision of viability gap fund, etc.
Solutions (II)

5) Full transparency for all citizens with regards to all facts and figures of all port and infrastructure funding, purchasing, contracting and spending

6) Promote competitive bidding; connect Key Performance Indicators (KPI) to both quality performance and profitability

7) Prevent crowding-out of Indonesian commercial firms

8) Optimize legal security

9) Overhaul and strengthen education and vocational training

10) Require Corporate Social Responsibility (CSR) and In-Country Value (ICV) as key elements in any port and infrastructure project
A Holistically Integrated Industry/Socio-Economic/Technological/Port-Infrastructure Development

• Hinterland development, industrial estates, short-sea shipping connecting are integrating parts of any successful port. Central, regional and local authorities must develop joint plans and projects funded through PPPs

• Both the world and its technology will have fundamentally changed by 2030. Artificial Intelligence, remotely controlled vehicles, 3D-printing manufacturing will intensely change what is produced where

• Both China and India will run out of food and water within the next 10 years, creating pressure on world market prices but also requiring the world’s largest nations to secure food outside their borders

• There is an end to large-scale agriculture and husbandry that require large-scale potentially damaging pesticides and fertilizers; this is expected to lead to re-regionalization of production, modernization of agriculture and infrastructure including (3D) packaging, cold stores, storage, transport – all potentially playing into the hands of Indonesia’s current strengths
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