

Promoting Efficient and Competitive Intra-ASEAN Shipping Services – *Indonesia Country Report*

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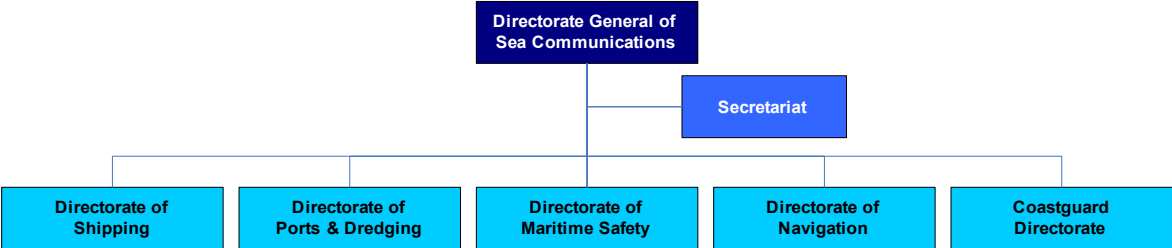
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I. NATIONAL SHIPPING POLICIES

A. MARITIME ADMINISTRATION

The Ministry of Communications exercises control over the maritime transport sector through the Directorate General of Sea Communications.

Figure 1: Organisation of Directorate General of Sea Communications



B. GENERAL SHIPPING POLICY

Three broad objectives are contained in Indonesia’s shipping policy: access to more competitive and reliable shipping and waterfront services, greater transparency in costs and the creation of economic, safe and reliable shipping services.

The governments of Indonesia, Malaysia, the Philippines, Singapore, and Thailand invested in shipping in the 1960s and 1970s. Indonesia invested in shipping relatively early. N.V. Djakarta Lloyd was incorporated in August 1950, changed into state-run P.N. Djakarta Lloyd in 1961, and converted into a limited liability shareholding company in 1974. Throughout the company remained wholly owned by government.

In 2004, three state-owned enterprises operate shipping services: PT Djakarta Lloyd operates container vessels in a number of international liner trades, PT Pelni operates passenger and passenger/cargo services between the islands of the Indonesian archipelago, while PT Bahtera Adhiguna operates a number of bulk carriers.

C. SHIP REGISTRATION

Registered vessels must be owned by Indonesian citizens or by a company ‘existing under the Law of Indonesia’, and must be manned by Indonesian nationals. However, foreign investment requirements for shipping companies in Indonesia are quite relaxed and industry contacts suggested that the implementation and enforcement is not rigidly applied.

Indonesia does not have a second register.

D. COMPETITION POLICY WITH RESPECT TO LINER SHIPPING

Indonesia has not attempted to control the activities of shipping conferences except where such practices are covered by Law No. 5/1999 Prohibition of Monopolistic Practices and Unfair Business Competition, which became effective in March 2000 and contains anti-competition provisions and establishes a Commission on Business Competition Supervision.

E. SUBSIDIES, GRANTS AND CARGO PREFERENCE

Under Presidential Decree 18-82, Indonesia reserved government cargo (broadly defined) for national flag carriers. In the 1970s and early 1980s, Indonesian shipowners entered into several bilateral trade-sharing agreements. For example, the Indonesian National Shipowners Association (INSA) and Singapore Shipowners’ Association (SSA) entered into an agreement in 1975 to allocate cargo between the two countries, the agreement being renewed in 1984. Similarly, the Indonesia-Japan-Indonesia conference

agreed in February 1986 to implement a trade sharing agreement. Indonesian and Japanese conference members were each allocated a 43% trade share while cross-traders were limited to 14% of the trade. However, it is reported that after Inpres 4/1985 opened up Indonesian ports to foreign ships, these arrangements were effectively curtailed.

In 1993, the US Report on Maritime Subsidies noted that the Indonesian government granted no subsidies to its ocean-going maritime industries. Some indirect benefits may flow to Indonesian operators from the long-running exemption from import duties and import sales taxes on purchases of materials, equipment, machinery and spare parts enjoyed by the Indonesian shipbuilding and ship-repairing industries. These measures and those relating to financing of ships are covered in a new Inpres in its final stages during the interview program. The new Inpres, discussed further below, and changes to the Mortgage Act are intended to both further open up the industry and ease financing, but also to clarify and expand cargo reservation.

Indonesia's cargo preference policies were wound back in the late 1980s and by the early 1990s a number of cargo reservation measures were reported to be non-operational. Ostensibly, cargo reservation is now confined to reservation of government and state owned enterprise import cargoes, which must be carried by Indonesian-flag vessels.

F. CABOTAGE

Regulation PP17 (1988) reserves coastal trades for Indonesian-flag vessels, provides operating subsidies for vessels used on selected inter-island routes, construction subsidies for vessels used for domestic trades, and requires that crews be Indonesian citizens.

Indonesian law allows foreign companies to participate in local trade, providing they do so in joint ventures with Indonesian partners. Government Regulation No. 20 (1994) allows up to 95% overseas investment in shipping ventures.

In addition, the Industrial Shipping Law 1988 allows shipping lines to use foreign flag vessels with certain limitations when local flag tonnage is not available. The legislation stipulates that when time charters extend beyond six months, 50% of the chartered vessel's crew must be Indonesian nationals. However, local contacts suggested that the rules are not always consistently applied.

Whilst Indonesia practices cabotage, the policy does not appear to have been effective in reserving domestic cargoes for Indonesian owned and flagged vessels. INSA, the Indonesian National Shipowners' Association, commented that, after Inpres 4/1985 opened up Indonesian ports to foreign ships, the previous INSA-Singapore agreement to share trade collapsed. Suddenly 144 Indonesian ports were open to foreign trade and foreign ship calls, resulting in a collapse in Indonesian market share. Some US\$11 billion in income has been lost to foreign carriers.

Further comment by various interviewees suggests that the government has difficulty in applying and enforcing cabotage provisions in the domestic shipping industry. In fact INSA reports that its members now achieve only 50% of the 117 million tonnes moved yearly. They would like to achieve 80% immediately, with the help of the proposed draft Inpres, then 100% after 3 years. For passengers, containers and logs, cabotage is already fully applied. Next targets are coal and oil. Others suggest that these levels may not be achievable given the current difficulty in enforcement and shortage of Philippine flagged tonnage.

As a comment on this, the Indonesian press¹ reports that national line Djakarta Lloyd is to regularly withdraw its three container vessels from international trading to back up domestic services.

¹ Ocean Week August 2004 – p7.

Domestic shipping freight rates are not subject to government intervention. However, the Indonesian Government regulates economy-class passenger fares and issues guidelines for other fare types.

G. FINANCE FOR SHIP-OWNERS

INSA is now pushing the Government to give tax benefits and greater protection to Indonesian-flag vessels. Tax treatment is currently based on the domicile of the owner, not of the vessel, resulting in much loss of tax income to Indonesia. INSA are proposing a revolving fund to assist the financing of new and replacement vessels, with government guarantees. There used to be such a facility through PT Pann, specially set up to finance vessels, but now PT Pann is more interested in bricks and mortar and does not find ship financing attractive; Bappindo, a state owned bank, also used to provide credit for ship financing, but it is now liquidated. As a result of this lack of access to finance, a key constraint on intra-ASEAN shipping is a lack of suitable ships.

A further issue is weaknesses in Mortgage Law allowing liens and arrest of vessels, discouraging lenders from accepting vessels as security for long-term loans.

The national ship-owners' body, INSA, commented that the industry needs foreign investment, but not necessarily through the Bank of Indonesia where rates can be as high as 18%. There is the need to change the image of the industry to attract both investment – and owners - to the Indonesian flag.

H. SHIPPING AGENCY

In Indonesia, there is no real status for an agent. To be a shipping agent, it is necessary also to be a ship owner with at least one vessel and a minimum of 5,000 dwt, which can be a total rather than one vessel. Hence, there are many companies owning one ship, often not even operating the vessel. Foreign shipowners can only enter agency work through an arrangement (jv etc) with a local owner/agent. This used to apply to stevedoring also but the requirement has been dropped (1988).

II. KEY TRADING RELATIONSHIPS

ASEAN trade is growing rapidly. Traditionally, there were few direct services with most cargo feedered through Singapore. This is now changing with more services offering direct calls at ASEAN ports. The constraint is availability of suitable tonnage. Demand for smaller container vessels has “gone through the roof” in the last 18 months. Trade growth is expected to grow further as AFTA develops and governments encourage intra-ASEAN trade by setting aside duties etc.

Table 1: Main Imports to Indonesia

Commodity	Mode	Source	Remarks
Rice	Break-bulk, hand stowed but some container (increasing)	Vietnam	Being broken down into break-bulk at Surabaya for delivery to E Timor etc.
Sugar	Break-bulk, hand stowed	Thailand	To main ports. Also for t/s to E Timor
Automotive	CBU – break-bulk, some container CKD - container	Thailand	Higher value models in containers
Fruit	Break-bulk (reefers)		
Cement	Break-bulk, neo bulk		
Machinery, project cargo	Large units – break-bulk/heavy lift.	T/s Singapore, Vung Tau	Used machinery to Laos, Cambodia
Bridge components	Large units – break-bulk/heavy lift.		Frequent loads throughout region.

Table 2: Main Exports from Indonesia

Commodity	Mode	Destination	Remarks
Plywood	Break-bulk and container	Thailand and Malaysia	Semi-finished
Coal	Regional exports by barge but increasingly bulkers 5,000 to 20,000dwt	Malaysia	50% of an annual total of 100M tonnes is exported. Long haul in large bulk carriers (to capsized).
Oil	Tankers	Malaysia	Some smuggling
Automotive	CBU	Malaysia, Thailand	Complementing model line-up
Steel	Break-bulk	Cilegon	Siemens products
Rubber	Standard unit 1.3t	Many Indonesian ports to Singapore, USA etc.	Was t/s Sgp. Now PACC, Indotrans etc. offer specialised vessels direct for long haul.
Cocoa, coffee	Break-bulk; some container (superdry)		
Palm oil	Exports in 15-20,000dwt tanker. Smaller vessels to Philippines	Singapore; Philippines	40% of total production exported intra Asia. Exports to Philippines new but growing.

III. NATIONAL FLEET

Few local owners own bulk carriers. However there is growth in ship owning, with emerging owners such as Samudera, Meratus adding some pure container and some semi-container to their fleets. Port facilities dictate geared vessels, less than 50% being container capable.

Figure 2: Size/age Distribution - Container Vessels

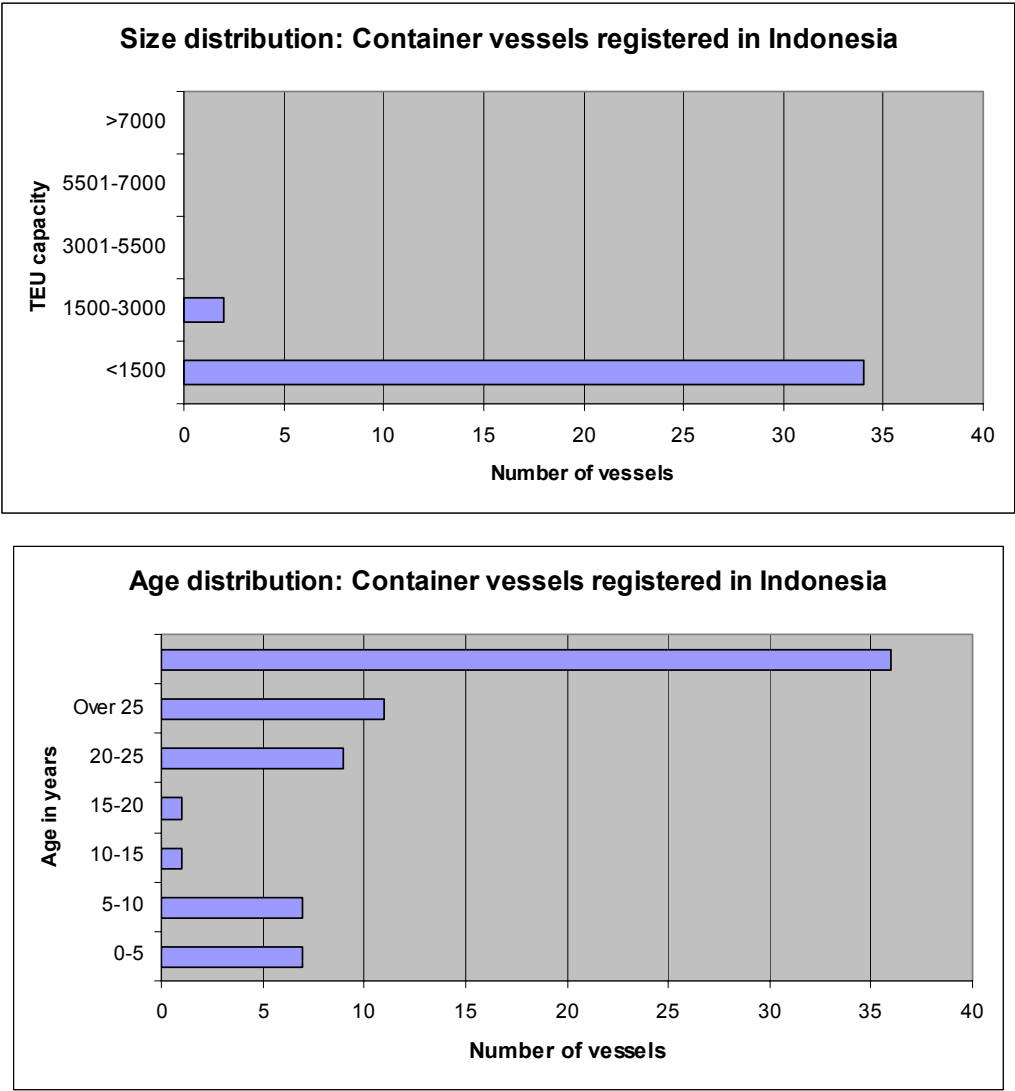


Figure 3 Size/age Distribution - General Cargo Vessels

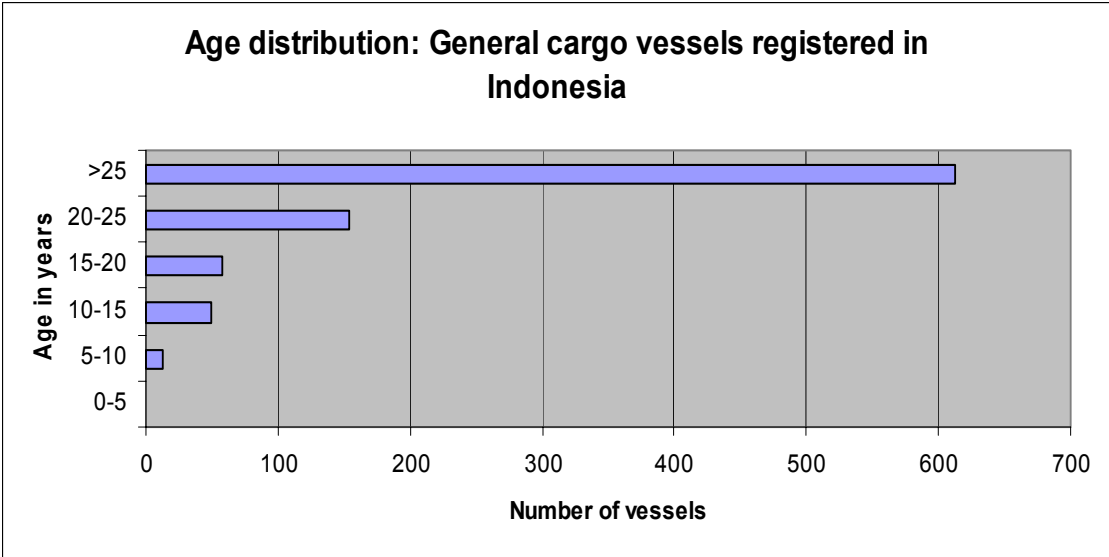
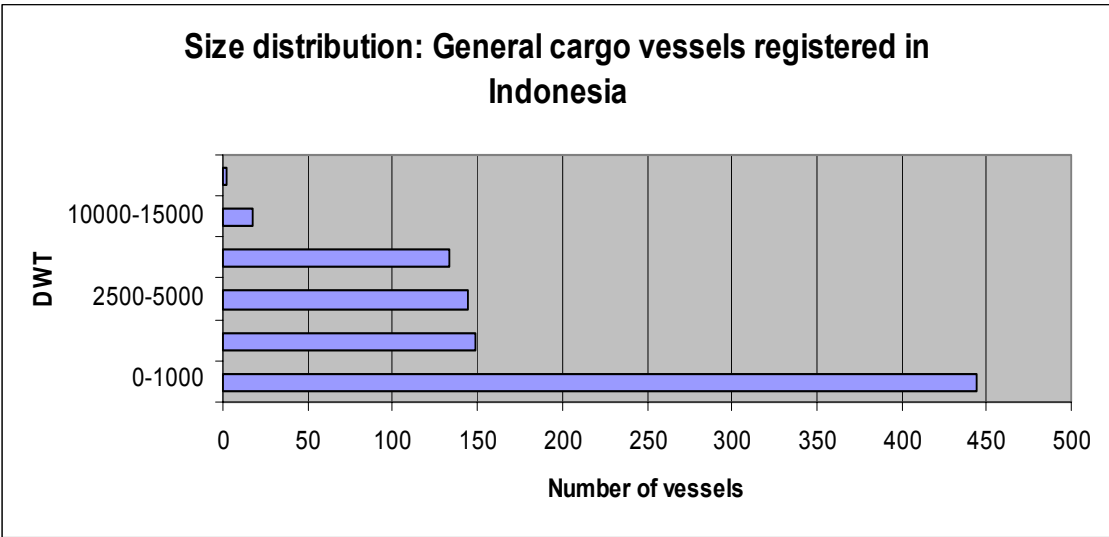


Figure 4: Size/age Distribution - Bulk Carriers

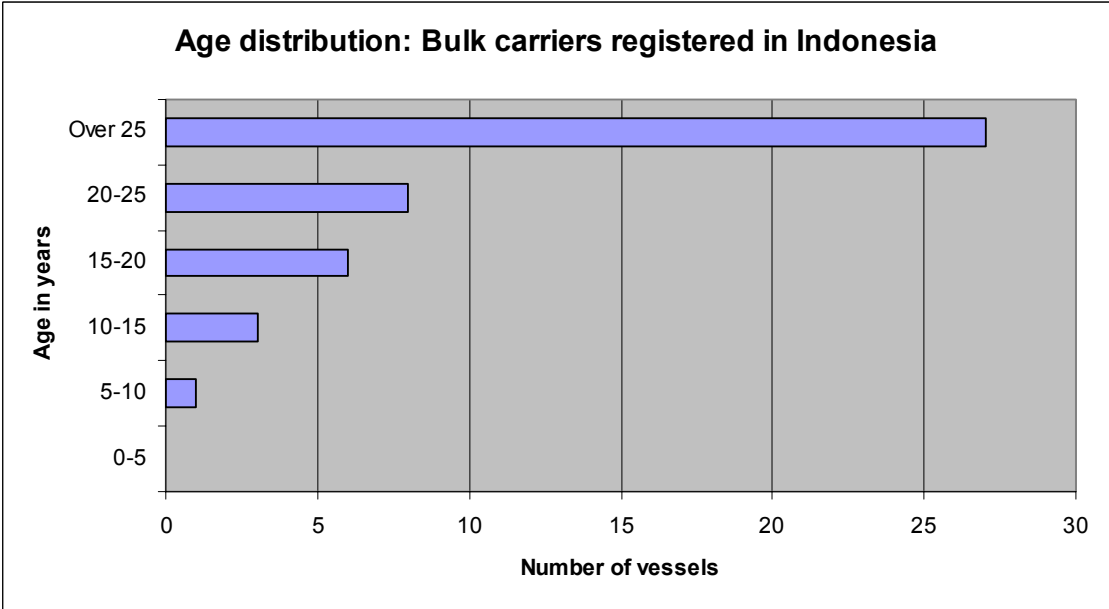
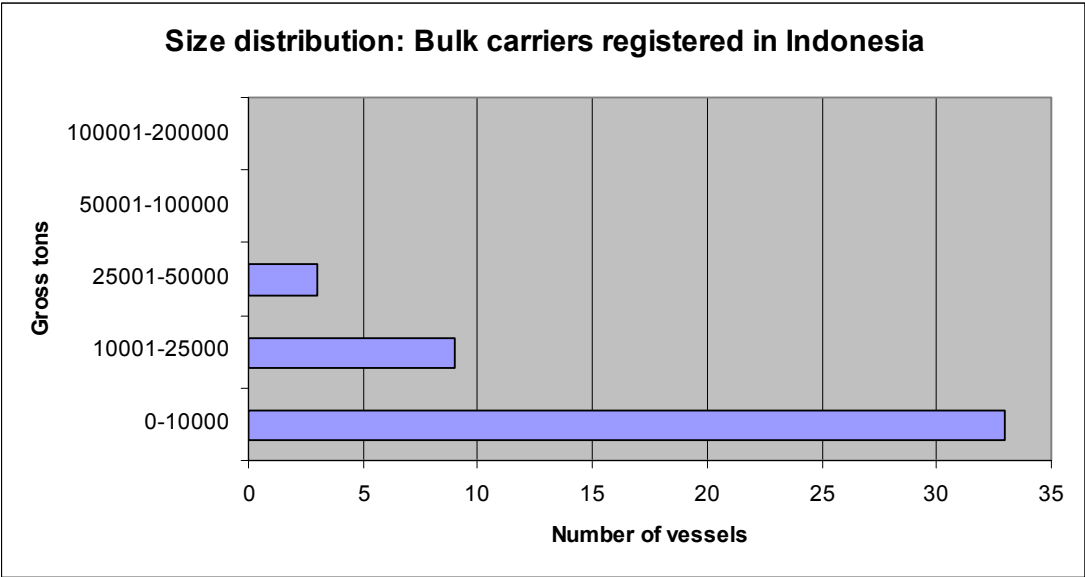
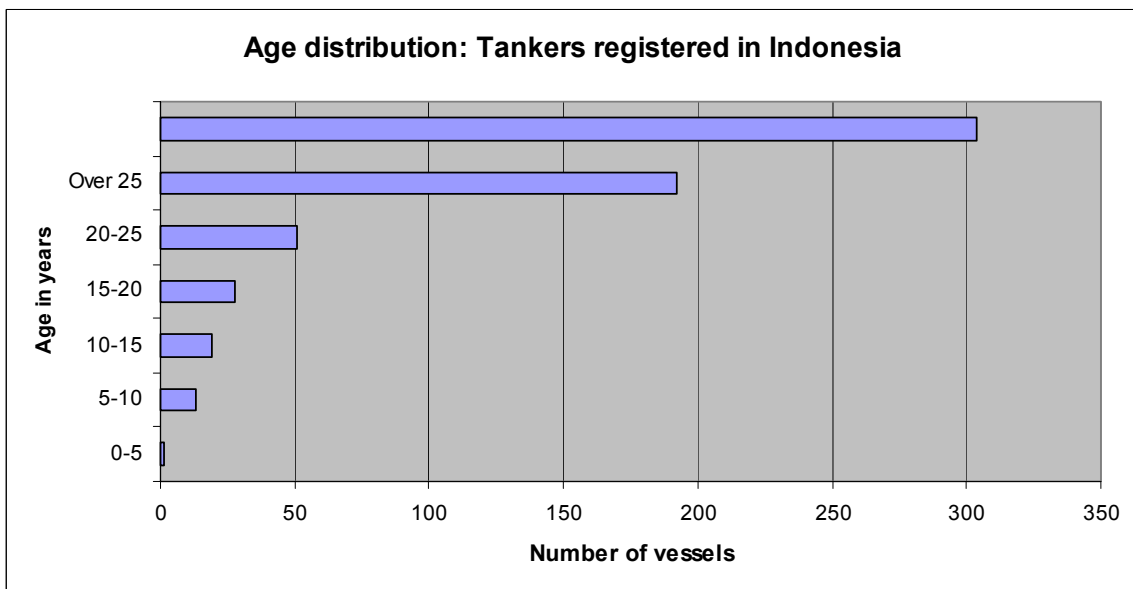
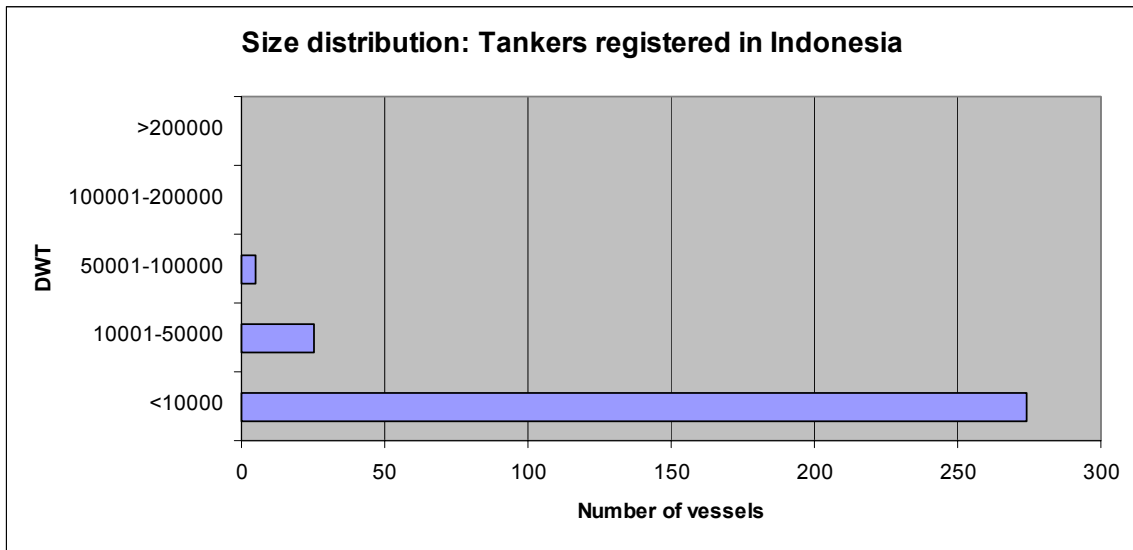


Figure 5: Size/age Distribution - Tankers



IV. PORTS

A. OVERVIEW OF PORT ADMINISTRATION

1. Organisational structure of port administration

Under Shipping Law No. 21/1992, ports in Indonesia are categorised into two kinds: public ports and special ports. Public ports are developed to serve common users, while special ports are developed and used by specific industries such as manufacturing, forestry, fisheries, mining, tourism etc. In 1999, it was reported that Indonesia had 656 public ports and 1,233 special ports.

In order to improve effectiveness and efficiency of public ports, the government decided that 110 public ports would be managed commercially by four port corporations, Pelabuhan Indonesia or Pelindos I to IV. The remaining 546 public ports are managed by the government on a non-commercial basis.

In 1983, the four state port corporations were formed to manage each some 25 to 30 branch ports. They changed status in 1992 to common-stock companies held by the Government of Indonesia (GOI). Smaller ports remain under the direct administration of DGSC, and there are a large number of private industrial ports. The four port corporations are limited-liability, profit-making companies.

The main ports administered by the four Pelindos are shown below.

Table 3 Indonesia: Port Corporations

Port Corporation	Coverage (Provinces)	Ports Administered
Pelindo I	Aceh, North Sumatra, Riau	Belewan, Pekan Baru, Dunai, Tanjung Pinang, Lhokseumawe
Pelindo II	West Sumatra, Jambi, South Sumatra, Bengkulu, Lampung, Jakarta	Tanjung Priok, Panjang, Palembang, Teluk Bayur, Pontianak, Cirebon, Jambi, Bengkulu, Banten, Sunda Kelapa, Pangkal Balam, Tanjung Pandan.
Pelindo III	Central Kalimantan, South Kalimantan, West Nusa Tenggara, East Nusa Tenggara, (previously East Timor)	Tanjung Perak, Tanjung Emas, Banjar Masin, Bena, Tenau/Kupang
Pelindo IV	Sulawesi (S, SE, Central and North), Maluku, Irian Jaya.	Makasar, Balikpapan, Samarinda, Bitung, Ambon, Sorong, Biak, Jayapura

The role of the port corporations is defined as responsibility for:

- port waters and basins for vessel traffic movement, anchoring, berthing;
- pilotage and towage services;
- port facilities for stevedoring, animal handling; warehouses and stacking yards; conventional, container and bulk terminals; passenger terminal;
- electricity, fresh water supply, garbage disposal and telephone services for vessels;
- land space for office buildings & industrial estates; and
- port training and medical centres.

In the case of Pelindo II, it is responsible for licensing of stevedores only at Tg Priok. At all other locations, Adpel (Administrasi Pelabuhan) has responsibility, under DGSC.

2. Decentralisation – Impact on Port Development

A major issue currently is a perceived tendency for local authorities to develop their own rules and agendas. A case in point is a massive development, Jakarta New Port, at East Ankol close to Tg Priok, mooted by the DKI – the Government of the Special Province of Jakarta. Apparently driven by a request from Japanese motor manufacturers, the US\$500M port is in the planning stages. The basis for the development is the need to accommodate the movement of 60,000 FWD vehicles per annum as part of the ASEAN automotive trade. According to DKI, Pelindo II has failed to respond.

The issue appears to be that it cannot be built legally as it breaks government Regulation No. 69/2001 which places the location under Pelindo II control. However, the DKI are apparently of the view that it is legal under new decentralisation legislation. The government has so far refused its permission but it may come under legal pressure. It is supported by all four Pelindos, plus other bodies including INSA, GAFEKSI etc.

This situation underlines a growing concern that this type of development will be carried out by local bodies without observing the ports master plan. Industry sources commented that local authorities are developing their own 'pelindos'. One NGO commented that regional autonomy is giving individual ports nominally under Pelindo a sense of their own power and there is some interference (eg. in setting additional charges) by regional governments.

3. Private Participation in Port Ownership and Operation

Although the government retains ownership of ports, privatisation of cargo handling facilities is well developed. Major facilities are operated by private sector organisations (e.g., Hutchison at JICT, Tg Priok; P&O Ports at Tg Perak, Surabaya). As an illustration of the range of initiatives in place for further development of terminal and handling facilities, the following are projects under way in 2003 at ports under the control of Pelindo II alone.

- Development of deep sea port at Bojonegara 100 km west of Jakarta (see Main Port Developments below)
- Review of terminal arrangements at Tg Priok prior to termination of fourteen current contracts in 2005
- Development of Nusantara Multipurpose Berth, Port of Tg Priok
- Development of CPO silo and palm oil plant at Cirebon
- Development of CPO silo and palm oil plant at Muara Sabak, Jambi
- Development and operation of integrated marina at Sunda Kelapa.

Further plans include coal handling facilities at Bengkulu and Sunda Kelapa and CPO silos at Sungai Lais and Boom Baru, Palembang.

Pelindo II also considers itself as an 'affiliate' of Hutchison at JICT, Tg Priok, and joint operator of the adjoining Koja container terminal.

4. Port Performance

There are mixed responses when asking about performance at Jakarta's main terminal, Tanjung Priok. While crane rates are reasonable, congestion dogs the load sequence with shippers not availing themselves of the four free days pre-receival period. Ships are still receiving a few hours prior to departure.

Ship turn time is impacted, and many ships apparently take 40 hours to turn round.

5. Port Charges and Costs

There is some industry dissatisfaction with port charges and their application. Sources claim that Tanjung Priok charges are the highest in SE Asia, higher even than Singapore, but that the port is one of the most inefficient. Many of the inefficiencies have to do with the role of the government-appointed administration back-office, Adpel, which compounds the Pelindo charges.

There have been recent Pelindo II rate increases, pushed by some terminal operators. These rates apply across all Pelindo II ports. As a result, Pelindo III follows suit; Pelindo III is based in Surabaya. Regional ports (e.g. Palembang) therefore have the same charges as Tanjung Priok, which industry considers is illogical. Moreover, there are separate tariffs for export and inter-island traffic, and INSA shipowners (domestic operators) often have their own berths, so they are indifferent to the rate hikes.

Trade imbalances and post-imposed limits on storage time in-port result in a lot of empties being transferred from ship-to-ship outside the port, adding to delays. In addition, illegal and informal charges are routine, all adding to the cost of port calls unrecognised by the port tariffs alone. Moreover, separate customs offices exist at both JICT and the Koja (Pelindo II-operated) terminal at Tg Priok – effectively one port owner but two separate customs operations – adding further to unnecessary delays and costs. In addition, customs restrictions on transshipments (treated as physical import and re-export) and the IMF push to raise tax collections, implemented without consideration on delay costs, are all adding to the frustrations of port calls.

B. DETAILS OF INTRA-ASEAN PORTS

Indonesia's ASEAN network ports are identified as²:

Belawan, Dumai, Tanjung Priok, Palembang, Panjang, Pontianak, Tanjung Perak, Tanjung Emas, Makassar, Balikpapan, Bitung, Jayapura, Sorong, and Banjarmasin. Base cargo handling characteristics for these ports are shown in the table below, and the following table summarises marine characteristics such as channel details, depths alongside etc.

² Almec report November 2002

Table 4: Indonesian ASEAN Network Ports – Cargo Capability

Port	Owner	Cargo functions ⁽¹⁾					Trade		Remarks
		C	D B	L B	G C	P	Total vol t (yr)	Total teu(yr)	
Belewan	Pelindo I	*	*	*	*	*		1.9m (2001)	Fertiliser, garlic, iron, palm oil, pulp, rubber, soya bean meal, vegetables
Dumai	Pelindo I				*	*			Liquid bulk, palm oil. Total 4m tonnes, 5750 calls in 2000
Tanjong Priok	Pelindo II	*	*	*	*	*		2.6m (2002)	Wide range commodities. Two container terminals (<i>PT Multi & Koja</i>)
Palembang	Pelindo II	*	*	*	*			46,000 (2002)	Ammoniac, coal, coffee, construction mats, fertiliser, gen., rubber, timber.
Panjang	Pelindo II	*			*			76,000 (2002)	
Pontianak	Pelindo II	*			*	*		112,200 (2002)	Frozen seafoods, plywood, sawn timber, pepper.
Tg Perak (Surabaya)	Pelindo III	*	*	*	*	*		1.4m (2002)	Wide range commodities. Container terminal operator P&O Ports.
Tg Emas (Semarang)	Pelindo III	*			*	*			Furniture, garment, molasses, particle board, plywood, cotton, seafood, steel scrap, textiles
Makassar	Pelindo IV	*			*	*	3.8m t (1999)		Cocoa, heavy industrial equipment, molasses, plywood, rice, wheat.
Balikpapan	Pelindo IV	*		*	*	*	2.9m t (2003)	227,000 (2003)	Wide range commodities.
Bitung	Pelindo IV	*			*	*	1.3m t (1999)		
Jayapura	Pelindo IV			*	*	*	295,443t (1999)		
Sorong	Pelindo IV				*	*	240,482 t (1999)		Crude oil, plywood, seafood
Banjarmasin	Pelindo III	*			*	*			Chemical, coal, plywood, rubber, sugar

Notes: 1. Cargo types – C=container; DB = dry bulk; LB=liquid bulk; GC = general or break-bulk cargo; P=passengers

Table 5: Indonesian ASEAN Network Ports – Physical Characteristics

Port	Access	Channel			Berths		Tugs
		Depth (m)	Width (m)	Length (m)	Total length (m)	Depth (m)	Number & hp
Belawan	Road, IWT	10	100	11	2,577	6-10.5	5 1600-2400
Dumai	Road, IWT	16	-	-	3,932	2-10	5 2400-3200
Tanjong Priok	Road Rail	11/12	250/350	4.5	8,239	5-12	11 800-2500
Palembang	Road	6 min	120	55	2,689	6 max	3 x 1700-1800hp
Panjang	Road	12-15	720	-	1,446	-	3 x 980-1700hp
Pontianak	Road	5	50-80	17	-	-	-
Tg Perak (Surabaya)	Road	10	100	25	9,105	2-10.5	9 x 800-2400hp
Tg Emas (Semarang)	Road	10	-	-	1,425	3-9	3 x 800-1500hp
Makassar	Road	16	150	2	5,018	5-12	3 x 800-1500hp
Balikpapan	Road	7-10	-	-	~2,000	5-13	3 up to 2400hp
Bitung	Road	40	-	-	1,253	6-15	2 x 960 /1160hp
Jayapura	Road	50	500	1.5	247	8-11	-
Sorong	Road	20	-	-	465	8-15	2 x 1500hp
Banjarmasin	Road	5	100	0.3	668	5-9	1 x 800hp

1. Main port development projects

Major port developments are taking place at Bojonegara, in Banten Bay near the Sunda Straits. The first stage of this development, comprising construction of the container terminal and access roads linking it to the Jakarta-Merak toll road, is expected to commence in 2004 and due for completion in 2010. Facilities will include 300m of berths, 15ha of stacking area and two container cranes. Depth alongside will be 16m. In the longer term, phased development to 2029 will see 500ha of industrial estate, 3,500m of wharf and 96ha of container yard.

There is a plan to develop a container terminal at Batu Ampar in Batam. Bidding has commenced but several international operators have withdrawn following doubts about a planned FTZ. Only PSA remains in the bidding at this stage.

A further major development mooted, discussed above, is the Jakarta New Port (JNP), at East Ankol close to Tg Priok.

V. INTRA-ASEAN SHIPPING ROUTES AND THEIR CHARACTERISTICS

A. CONTAINER

1. Size of Vessel Typically Used

Direct calling vessels (CMA-CGM; Grand Alliance) range up to 3,500 TEU but most vessels are in the range 500 to 1,500. Industry comments that even the mainline vessels calling are only large feeder type. On domestic routes there are many small vessels below 500 TEU (e.g., the locally built 'Caraka Jaya' class vessels, 100 to 150 TEU) but average size is increasing.

2. Who Controls Shipping

As discussed above, control of shipping both international and international is with overseas lines. Despite cabotage rules, participation in both overseas and domestic trades is low – a few percent at best. As with most ASEAN countries, the tendency is for Indonesian exporters to sell FOB and importers to buy CIF/C&F.

3. Indicative freight rates

Table 6: Indonesia: Indicative Export Freight Rates

Route	Ocean Freight US\$ per TEU
ASEAN	
Jakarta - Singapore	200
Jakarta – Malaysia	230
Jakarta - Bangkok	250-260
Jakarta – Vietnam / Philippines	300-350
Domestic (for comparison)	
Jakarta – Manado (N Sulawesi)	600
Jakarta - Irian	1,200-1,400

Intra-Asian rates have seen several recent increases: \$50 increase in May, another \$50 increase in August/September. Asia-Europe rates have seen a \$150-200 increases every quarter, as well as bunker and currency adjustment factors. Charter rates are rising to \$30,000 per day for a 1,500-2,500 TEU ship. Ship owners can afford to adopt a take-it-or-leave-it attitude.

There is ongoing dispute over THC, with the main protagonists domestic shipowners, represented by INSA, and overseas lines, represented by OSRA. INSA claims that the overseas shipping company rates are out of line with port charges, but OSRA argues there are many additional costs (inefficiencies, delays, corruption) not reflected in the port charge rate. Meanwhile ports are concerned as they are being blamed for charges that do not reflect tariff rates (e.g., US\$145 of port charges of US\$93 per TEU).

B. BULK

Bulk movement is in three categories, domestic, regional and international (long haul).

1. Size of Vessel Typically Used

Although there is some local ownership of medium sized vessels (see above – Size/Age Distribution), the vast majority of locally owned vessels are small – less than 1,000dwt – and aging.

Long haul international cargoes are generally carried in large vessels up to cape-size. Regional cargoes are carried in smaller vessels, often in barges. However, there has been an increase reported in coal in particular to Malaysia where bulk carriers of 5,000 dwt to 20,000 dwt are being deployed to feed fuel to power generation plants.

2. Who Controls Shipping

Major international and some regional cargoes would be controlled by buyers. Although there is some participation in long haul business, most is controlled by overseas buyers.

3. Indicative Freight Rates

Vessel prices are very high and builders are concentrating on very large vessels. As a result there's a looming shortage of smaller vessels. Charter rates have doubled in the last two years, from \$5,000 to \$10,000 per day.

C. GENERAL CARGO

1. Role of Container v General Cargo Services

The shift to container mode has been substantial, many commodities that have been previously considered not containerisable are now moving in boxes (even very unsuitable cargo such as steel scrap). However, there is still an unquantified but significant movement in break-bulk. Some of this is as a result of small ports and vessels not container capable, particularly with domestic cargo, but some is larger volume cargo with specialised needs.

There are several shipping companies offering semi-liner operations to cater for this cargo. Some of this cargo – for instance project cargo, larger lifts either too heavy, large or awkward for container mode – will always require special treatment. Vessels such as the Superflex Heavy MPC vessels deployed by Rickmers cater for this cargo and offer a round the world service calling at several ASEAN ports, mainly on inducement but some virtually scheduled on a 14 day frequency. The vessels accept containers (1,888TEU capacity), bulk or break-bulk, including heavy lifts up to 640 tonnes. The evident enthusiasm and confidence expressed by Rickmers for the future of this service attracted attention to this sector. (Subsequently, other companies offering similar specialised break-bulk services were identified – e.g., Indotrans, Gear Bulk, PACC, AAL/PAS.)

In addition to the above service, which caters for heavy lift and uncontainerisable cargo, there are other break-bulk services that appear to have developed around particular commodities movements. The apparent success of these services suggests that there is ongoing potential for break-bulk mode with possible further benefit for ASEAN nations. Perhaps of more interest in terms of modal shift, is the services that have been established to carry rubber to world markets. Although this is not technically intra ASEAN trade, most rubber ex Indonesia used to be shipped in break-bulk form but now most is being shipped in multipurpose vessels from Indonesia, as well as Thailand and Malaysia. The two aspects of this are that:

- It is replacing Indonesia to Singapore cargo with direct exports, thus reducing intra ASEAN trade; but, more particularly,
- it represents an initiative that is helping to make ASEAN rubber exports more competitive in world markets.

2. Route Structure for Major Intra-ASEAN Services

The main routes in terms of volumes are the feeder routes to Singapore. Other destinations served direct by smaller feeder lines include Philippines (Manila), Malaysia (Peninsular – Port Klang, Penang and Pasir Gudang; East Malaysia – Kuching, Sibul), Vietnam (HCM and Haiphong), Thailand (Bangkok, LCB, Matuphut). Occasional direct

calls are made to Bintulu, Muara, Labuan, Kota Kinabulu, Sipitang, Sandakan and Tawau. A few of these services (e.g., AAL) accept break-bulk and heavy lifts.

Singapore services operate from Tg Priok, Tg Perak, Palembang, Semarang, Panjang and Belawan.

D. COMMENTARY ON INTRA-ASEAN SHIPPING IN INDONESIA

1. Specialised Break-Bulk Services

We were informed that rubber is being lifted on a contracted basis by dedicated services. In fact, according to information sourced from a major import gateway in the US (New Orleans port's website), approximately 1.2M tons of rubber is being imported into the Eastern Seaboard of the USA alone on four shipping services from South Asia (Sri Lanka) and S E Asia – Thailand, Malaysia and Indonesia. The four services are briefly described below:

Indotrans

A Swire group company which bought out Hoegh's service recently. It is a multipurpose liner service connecting Southeast Asia, India and Saudi Arabia with the North American East Coast and Gulf of Mexico. The service operates four specialised 41,600 deadweight tonne vessels on a monthly frequency. In Indonesia, the service calls at Jakarta and Belawan.

With an operating speed of 16.5 knots, Indotrans vessels are fitted with 1 gantry crane with a safe working load of 41 tonnes, 3 cranes with safe working load of 36 tonnes (65 tonnes when paired), and 1 crane with a safe working load of 25 tonnes.

Quick Facts: 4 x 41,600 DWT purpose built MPP liner vessels; 30,150 GRT; Grain capacity of 57,214 cu.m., Bale capacity of 54,149 cu.m. 30-day frequency - slot exchange providing 30 sailings/annum ex India to USA3.

It is understood that the service is lifting rubber on contract, competing with containers shipments which were routed through Singapore, and being competitively disadvantaged by THCs.

PACC

A service operating dedicated break-bulk vessels. PACC Container Line Pte is a wholly owned subsidiary of Pacific Carriers Pte Ltd, a member of the Kuok Group. It claims to have been the biggest operator of Freedom Mk II class vessels (handy sized bulkers/tween-deckers).

Now operates feeder container vessels and multi purpose vessels with heavy lift capability.

Wallenius Wilhelmsen

Wilhelmsen operates ro-ro vessels on a worldwide basis. It has a twice monthly services from Singapore and Laem Chabang to N Asia, thence to WCNA and ECNA via Panama. Accept cars, ro-ro, break-bulk cargoes.

Watermans

This is a US based company operating LASH (lighter aboard ship) services from S Asia to WCNA and ECNA. Do not call in S E Asia.

These services, together with the heavy-lift and project cargo services of Rickmers Linie, probably represent the most targeted approach to break-bulk ex ASEAN countries. They are reported (by Rickmers) to be turning away cargo as a

³ Source: Swire's website.

result of their contracted rubber etc. Watermans do not call in S E Asia and it is not known if they either have considered other port calls or would be interested in inducement, but there may be potential for the LASH system in smaller regional ports where rubber in particular is a major component of trade flows and where depth and lack of equipment is stifling trade and thus economic growth.

2. Freight Rate Stabilisation

The distortions that have resulted in big differentials between rates in intra ASEAN trades and other intra Asian/long haul rates are seen as impeding lines expanding or enhancing services.

3. Harmonisation of Regulation

Respondents were uncertain as to the implications of AFTA, although there was high awareness of the agreement. It was agreed that there is an urgent need for standardisation of taxation and incentives for ship owners.

4. Security Protocols

To date there has been more focus on implementation than on quantifying costs. There is some talk of surcharges, but the industry has not yet isolated and quantified the costs.

Within ASEAN, although ISPS requirements have slowed some trade in smaller conventional vessels, there are still allowances being made. For instance, there are still eleven berths being maintained for non ISPS compliant vessels in the port of Singapore, and INSA commented that non-compliant vessels are still free to use private jetties. The suggestion that ASEAN should have its own set of rules was raised more than once during the interview program.

5. Terminal Handling Charges

THC is a highly emotive issue. The industry is polarised on the subject. International lines are adamant that it is the only way to account for additional, less formal costs associated with port inefficiencies, while ports claim that they are being unjustly blamed when THC of US\$145 is charged against port charges of US\$93. Shippers argue that for their exports of rubber for instance being transhipped through Singapore, they are immediately disadvantaged against Singaporean exporters being charged only ~US\$100.

6. Break-Bulk at a Disadvantage in ASEAN

A major break-bulk ship operator complains that port administrators tend to develop container terminals at the expense of general cargo and break-bulk facilities. Yet break-bulk trades remain very important. From a break-bulk point of view, industry opinion suggested that, surprisingly, Malaysian ports tend to be less efficient than some Indonesian ports. Examples: long delays at Penang, Butterworth; Southport no longer handles break-bulk⁴, only liquid bulk; only a few wharves assigned to break-bulk at Northport; only 2 berths at Westport, the rest are specialised; at Johore Baru, specialised facilities are good, but break-bulk handling is very inefficient. Essentially, these comments underlined the view that break-bulk facilities can be left behind in the rush by ports to cater for containers.

Many cargoes are not readily compatible with containers (eg. steel, granite) and are in some cases being squeezed out by the trend towards containerisation. Typical shippers include Marubeni, Mitsui (eg. steel coils). It was reported that non-containerised

⁴ There are in fact new initiatives at South Port, Port Klang to cater for break-bulk. See Country Report on Malaysia.

shipments can find no suitable or available capacity. A good example mentioned is the significant trade in built up bridge components with Indonesia, Philippines, and Vietnam.