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POLITICS

Executions May Be Delayed

Attorney General Hendarman Supandji has backed away from supporting capital punishment and indicated the executions of the Bali bombers may be delayed, the *Sydney Morning Herald* reported on Wednesday (10/10/07).

A Constitutional Court ruling is imminent and Supandji said the government would implement its decision if it ruled against executions.

Abdul Rahman Saleh -- who Supandji replaced earlier this year -- strongly advocated capital punishment. Executing drug traffickers was "essential" to deter drug use, he said.

But Supandji said Saleh's remarks were "the personal opinion" of the former attorney general, noting: "It depends on the community in Indonesia as a whole, because the legislation is the product of parliament.

"However, there is still controversy among the community about capital punishment. I leave it up to the people. If the Indonesian nation rejects it, as Attorney General I have to follow it."

Internationally, nations were tending to abolish capital punishment and the issue needed to be carefully considered, he said.

The Constitutional Court will decide if its decision applied to people already sentenced or only future cases, Supandji said.

He dismissed calls to immediately execute the three convicted Bali bombers, Amrozi bin Nurhasyim, Ali Ghufron alias Mukhlas, and Imam Samudra.

First the trio must receive a copy of the rejection of their final appeal, then they will be asked if they will appeal to the president for clemency. "This will prolong the process," Supandji said.

Meanwhile, *The Australian* newspaper reported that the families of the Bali bombers are expected to make a final visit to the prison island of Nusakambangan, off the southern Java coast, in the next day or two.

However, despite repeated taunts from the trio that they are ready to die as "martyrs", their legal team is engaged in a lobbying campaign to delay the executions as long as possible.

New Law to Fight Corruption

A systematic war against corruption, collusion, nepotism and poor bureaucratic practices in all government agencies using a new draft law would improve the country's public administration, State Minister of Administrative Reforms Taufik Effendi said on Tuesday (9/10/07).

"The law on public administration ... will be the legal basis to conduct a complete improvement of our governance system," he said, according to *The Jakarta Post*.

The draft law on public administration had been forwarded by the ministry to the House of Representatives and is now waiting deliberation.

The House is expected to start discussing the draft by the end of this year. "We expect ... (the law will) change the mindset of state officials toward a good governance system," Taufik declared.

He said corruption, collusion and nepotism in government agencies had continued because of a lack of transparency and accountability in the system.

"Efforts to fight corruption should not only be focused in the investigation, but also the prevention of

corruption," he said. The draft legislation stipulates that officials abusing their political authority will face administrative sanctions.

The minister said the law would benefit the public because it would cut red tape and increase public service efficiency.

REGIONS

189 Countries for Bali Climate Conference

About 189 countries will participate in the climate change conference which will be held from December 3 to 15 in Bali, Xinhua quoted Environment Minister Rahmat Witoelar as saying on Monday (8/10/07).

The minister said that some countries' prime ministers and more than 120 ministers would be present at the conference which will be attended by more than 10,000 delegates.

On the sideline of the conference, there will be a finance ministers' meeting attended by the ministers from 31 countries, he said.

The Bali Declaration will be issued at the end of the conference, which will be implemented in 2012 to replace Kyoto protocol, the minister said.

"I see a ray of hope that in Bali we can set the foundations," Witoelar told Reuters in an interview Wednesday, adding that he had recently held positive talks with representatives from the US and Australia, which are non-signatories to the Kyoto Protocol.

"Australia and the US, it seems they don't mean any harm. They just want to have some things re-arranged," he said, adding that the two countries are responsible for 40% of emissions.

Earlier, Witoelar said Indonesia wants to be paid \$5-\$20 per hectare not to destroy its remaining forests, for the first time giving an actual figure that he wants the world's rich carbon emitters to pay.

During the Bali conference, participants from 189 countries will hear a report on Reduced Emissions from Deforestation (RED) -- a new scheme that aims to make emission cuts from forest areas eligible for global carbon trading.

Navy to Set Up Radar Units in Malacca Strait

The Indonesian Navy has said the construction of nine radar units in Malacca Strait would be completed this year. "Four of the planned nine radars are now ready for operation and we hope to finish the remaining by the year-end," Navy Chief of Staff Adm. Slamet Soebijanto said Tuesday (9/10/07), *The Jakarta Post* reported.

He said the construction of two of the four radars had been funded by the state budget, while the other two had been financed with assistance from the United States.

Three littoral states along the 800 km of the Malacca Straits -- Indonesia, Singapore and Malaysia -- have stepped up efforts to ensure security through joint patrol along the Strait.

The states have also installed long-range cameras and radars for locating objects in the waterway.

The Navy chief said the government also planned to set up radar along the Makassar Strait due to the increasing number of foreign ships passing through the waterway, which is situated between Kalimantan and Sulawesi.

ECONOMY

Share Market Booms, Investment Up 115%

The Jakarta Stock Exchange (JSX) composite index closed for the Idul Fitri holiday at 2,638.21 for its sixth straight day of advances, in a week in which the National Investment Coordinating Board (BKPM) said investment had jumped 115% in the first nine months of the year.

The JSX composite index put on an additional 1.8% on Thursday (11/10/07), Agence France-Presse reported, on volume of 4.93 billion shares worth Rp6.1 trillion (672.18 million dollars). The rupiah was stable, closing the week at 9,065/9,075 to the US dollar.

BKPM chairman Muhammad Lutfi said Tuesday that actual foreign and domestic investment were up 115% up at Rp109.73 trillion (\$12 billion). Actual foreign direct investment grew 99% to Rp76.86 trillion.

The board had approved domestic and foreign direct investment proposals worth Rp468.73 trillion, 131% more than a year before.

"Investors should have seen a pickup in consumer purchasing power, so they think there is a market that needs to be supplied," the board's secretary general Yus'an said.

Bank Indonesia kept its benchmark rate at 8.25% for the third month in a row after inflation climbed due to higher holiday prices, and the central bank's Senior Deputy Governor, Miranda Goeltom, said after the monthly meeting of the bank's board on Monday that inflation is expected to fall in November, possibly leaving room for further monetary easing.

"If inflation is lower in November (than October), there will be room for further rate cuts," Goeltom told a press conference, Dow Jones Newswires reported.

The House of Representatives (DPR) on Tuesday approved a 2008 budget that sets a growth target of 6.8%, the fastest pace since year 1996, and a higher budget deficit target, Reuters reported.

The 2008 budget increases the state budget deficit target to 1.7% of GDP, from an estimated 1.5% in 2007. Parliament approved the budget late on Tuesday.

The government says the higher deficit reflects the need to increase spending in order to spur growth.

State-Owned Enterprises Minister Sofyan Djalil said the government wants SOEs to invest at least Rp150 trillion (\$16.5 billion) in infrastructure next year to reach the 6.8% growth target.

The enterprises in 2008 would have better profits, he said. "With investment of Rp150 trillion, it is predicted that the 6.8% economic growth can be achieved," he added.

The banking sector continued its strong performance, adding another Rp21.2 trillion (\$2.3 billion US dollars) to loan portfolios in August, *The Jakarta Post* reported Tuesday, citing data from the central bank.

Total lending rose 21.79% to Rp935.8 trillion (105.2 billion) compared to the same period last year.

BUSINESS BRIEFS

MACROECONOMY

IMF Raises 2007 GDP Forecast

The International Monetary Fund (IMF) raised its forecast for Indonesia's economic growth in 2007 on better-than-expected expansion in the first half, Bloomberg News reported on Thursday (11/10/07).

The economy will expand 6.2% this year, from an earlier estimate of 6%, the IMF said in a report titled "Indonesia: Sustaining the Recovery" published on its web site. Growth next year was maintained at 6.3%.

The government expects the \$364 billion economy to expand 6.3% this year as exports and domestic consumption rise. The economy grew 6.3% in the second quarter and 6% in the previous quarter.

"The change is mainly a reflection of the better-than-expected first half," Stephen Schwartz, the IMF's representative in Indonesia, said in a phone interview. While Indonesia's growth is accelerating, "we are also conscious of the global outlook slowing."

The IMF expects inflation at 6.5% by the year-end, while government debt is expected to fall to 36.6% of GDP.

Meanwhile the government estimates GDP growth for the third quarter at between 6.2% and 6.4%, according to a statement by the Finance Ministry Thursday, Xinhua reported.

Key economic indicators including private consumption, government spending, investment and export experienced faster growth than last year, the statement said.

"The government is confident the economic development is on the right track to achieve the 2007 growth target of 6.3%."

House Approves 2008 State Budget, Deficit at 1.7%

The House of Representatives on Tuesday (9/10/07) approved the government's 2008 state budget, which proposes a larger deficit of 1.7% of GDP compared with 1.5% this year and economic growth of 6.8% against 6.3% this year.

Total budget revenue for 2008 includes grants, at Rp781.4 trillion or 18.1% of GDP while total expenditure is set at Rp854.7 trillion, resulting in a budget deficit of Rp73.3 trillion or 1.7% of GDP, according to Thomson Financial.

"The government is optimistic the 2008 economic growth (forecast) will be achieved, supported by an expected improvement in consumer spending and higher investment in line with the improving investment climate," Finance Minister Sri Mulyani Indrawati told a House plenary session.

"The government expects higher economic growth will help create more jobs which will ultimately reduce unemployment and poverty," she said.

The 2008 state budget assumes inflation at 6%, lower than the government's forecast of 6.5% for this year, while the rupiah exchange rate is set at 9,100 to the US dollar compared to 9,050 in this year's budget.

The yield on the three-month Bank Indonesia Certificates (SBI) is projected to fall to 7.5% from 8% this year, while the price of oil is assumed at \$60 per barrel, unchanged from this year.

The House and the government also agreed on a dividend payment of Rp26 trillion by state-owned companies.

BI Rate Steady for Third Month

The central bank left its key interest rate steady at 8.25% for a third month running on Monday (8/10/07), following a pick-up in inflation, but analysts see rates falling by year-end as price pressures ease.

Bank Indonesia (BI) last cut the key BI rate by 25 basis points in July and has kept it steady since as inflation quickened and volatile global markets raised uncertainty about the economic outlook.

The central bank's move followed similar decisions last week by the European Central Bank and the Bank of England in the wake of a global credit squeeze that fuelled turbulence in world markets, although the US Federal Reserve cut its key rate to bolster its flagging economy.

"The urgency to lower rates is not as high as before, considering that loans and the economy are growing," economist Helmi Arman of Bahana Securities told Reuters.

The annual inflation rate rose more than expected in September to 6.95%, a one-year high, as food prices increased for the Ramadhan fasting month.

But analysts expect inflation to ease once the fasting month ends in mid-October, giving room for the central bank to cut the BI rate by another 25 basis points by the end of the year.

"Inflation is still within BI's forecast for this year. One more rate cut is still possible. I think it will be done most likely in November when food prices are likely to ease," said Arman.

BI Senior Deputy Governor Miranda Goeltom said inflation usually falls in November. "If inflation is lower in November (than October), there will be room for further rate cuts," Goeltom was quoted as saying by Dow Jones Newswires.

The rupiah strengthened to 9,038 per dollar after the rate move. The Jakarta Composite Index was up 1.29%.

Rupiah at 9,000/Dollar Good for Trade – BI

Bank Indonesia (BI) Governor Burhanuddin Abdullah said Tuesday (9/10/07) a rupiah exchange rate of about 9,000 per dollar is good for the country's exports and imports, amid improving confidence on emerging markets.

"The rupiah at around 9,000 per dollar is still okay for export-import. The fluctuation is also getting narrow. It is very conducive for economic stability," Abdullah was quoted as saying by Reuters.

The rupiah was hit hard during the global financial market turmoil due to the US subprime mortgage loan crisis as foreign investors pulled out assets in high-yielding but riskier assets.

But like many high-yielding currencies, the rupiah started to strengthen after the US Federal Reserve slashed the federal funds rate by half a percentage point to 4.75%, its lowest level since May 2006, in mid-September, and as confidence returned to emerging markets.

Finance Dept. Delays Bond Auction

The Finance Department said on Wednesday (10/10/07) it has postponed a zero coupon bond auction by one week to October 30, following last month's strong bond sale and as many bond market players prepare for a long holiday, Reuters reported.

The department has yet to announce the maturity and size of the planned zero coupon bond issue. Last month, the government raised Rp3 trillion in an auction of two-year zero coupon bonds, above its target of Rp2 trillion.

"It is not that urgent right now to raise funds to finance the budget. It means that we have enough funds. The government has the luxury to set its auction schedule," said Bhimantara Widyajala, a debt director at the department.

INVESTMENT

January-September FDI Doubles

Foreign direct investment (FDI) in the country doubled in the first nine months from the same period a year ago, mainly due to strong investment in hot sectors such as telecommunications, official data showed on Wednesday (10/10/07).

The Investment Coordinating Board (BKPM) said actual investment rose 99% to \$8.54 billion in January to September, which analysts said reflected improving investor confidence against a backdrop of falling interest rates and a largely stable rupiah.

The board said the strong increase was mostly due to actual investment in the transportation, warehouse and telecommunications sectors worth a total of \$3.3 billion.

The data also showed FDI approvals rose 212% to \$33.03 billion in January to September from the same period last year.

"This is because of the stronger economy. Investor confidence is improving. This is also indicated on the Jakarta stock market," Darmawan Djajusman, the board's deputy in charge of promotion and investment, told Reuters.

The board said actual domestic investment rose 164% to Rp32.87 trillion (\$3.63 billion) in the nine months from a year ago. Domestic investment approvals rose 59% to Rp171.46 trillion in the same period.

The rise was partly due to strong investment in the paper and printing industries, which contributed Rp14.6 trillion.

The BKPM data does not cover industries such as oil and gas, banking and insurance.

Kuwait Investment Buys 15% of Property Firm

Kuwait Investments Pte Ltd acquired a 15% stake in PT Perdana Gapuraprima when the property company launched an initial public offering (IPO), Asia Pulse reported.

Kuwait Investment bought 50% of 962 million shares listed on the Jakarta Stock Exchange on Wednesday (10/10/07) or 30% of the shares offered by the Perdana Gapuraprima in the IPO.

Other foreign investors buying the shares included Dessler from the United States and Amanah Raya Bhd from Malaysia.

Kuwait Investment paid Rp150 billion (\$16.5 million) for the 15%, president of Perdana Gapuraprima Rudy Margono said, adding they wanted more but that would need negotiation.

The company said it is set to chalk up a 50% increase in net profit to Rp100 billion next year from this year's estimate.

Lion Air, Delta to Build \$1b Aircraft Maintenance Plant

Private airline Lion Air said it has reached an agreement with Delta Airlines of the US to build an aircraft maintenance facility in Indonesia.

Lion Air president Rusdi Kirana said his company and Delta plan to invest \$1 billion in the project. Hopefully a contract will be signed next year, Kirana said recently, according to Antara.

He said his company chose to partner with Delta, as the US company has extensive experience in the aviation industry and aircraft maintenance. He said he would not rule out expanding the cooperation to

include sharing flight routes.

The cooperation was necessary as Lion Air plans to buy 100 Boeing 737-900ER aircraft, he said.

STATE CONCERNS

US Lifts Bali Airport Security Alert

The US lifted a security warning against the airport in Bali on Thursday (11/10/07), two years after it was issued following a string of bombings on the island, Reuters reported.

In 2005, US homeland security declared the airport in Denpasar unsafe and discouraged US planes from flying directly to the island, following the attacks in 2002 and 2005 that killed more than 200 people.

The decision to lift the warning was based on an assessment by the US Transportation Security Administration that found security measures at the airport complied with International Civil Aviation Organization standards, a US official said.

Director General of Air Transportation at the Transportation Ministry Budhi Mulyawan Suyitno said he hoped the decision would bring more tourists to Bali.

Footwear Exports to Reach \$1.8 Bln

Footwear exports in 2007 are projected to reach \$1.8 billion, up \$200 million from a year earlier, Trade Minister Mari Elka Pangestu said in a statement issued Wednesday (10/10/07).

"Footwear is one of the country's 10 key non-oil/gas export commodities. In 2006, footwear exports contributed \$1.6 billion to the country's foreign exchange revenue. In 2007, footwear exports are expected to reach \$1.8 billion," she said.

"East Java is the country's biggest footwear producer with production accounting for 11% of the total exports, contributing \$180 million to the foreign exchange coffers last year," she said.

Govt. to Issue Sugar Import Permits in November

The government plans to issue permits in November to import white sugar to meet local demands next year due to an expected shortfall in output, a senior government official said Tuesday (9/10/07).

The government will wait for the cane crushing season to end at the end of November before deciding how much it will import, Diah Maulida, Director General for Foreign Trade at the Trade Ministry, said.

Indonesia has imported 450,000 tons of white sugar so far this year as output lagged behind demand because of bad weather.

SOEs

Govt. Wants State Firms to Invest \$16.5b in 2008

The government hopes state-owned enterprises will invest at least Rp150 trillion (\$16.5 billion) in infrastructure next year to reach the 6.8% economic growth target, State Minister for State-Owned Enterprises Sofyan Djalil said Tuesday (9/10/07).

Djalil said that the enterprises in 2008 would have better profits. "The government wants state-owned enterprises to invest at least Rp150 trillion in 2008 to develop bridges, roads, seaports, railway and others," he was quoted as saying by Xinhua.

He said that the investment would help the government achieve its 6.8% economic growth target next year.

Jasa Marga Eyes \$407m from IPO

State toll road firm PT Jasa Marga plans to raise up to Rp3.7 trillion (\$407.3 million) from the initial public offering (IPO) of 30% of its enlarged share capital to help finance its toll road projects.

Jasa Marga president director Frans Sunito said Monday (8/10/07) the company plans to offer 2.04 billion new shares at between Rp1,400 and Rp1,800 each, Reuters reported.

Jasa Marga, which controls about 75% of the country's toll roads, plans to build three toll roads in Java with a total length of 119 km and requires an investment of Rp10.84 trillion.

The IPO will dilute the government's stake in the company to 70%. Bahana Securities has been appointed to handle the offering.

Indonesian companies have raised more than \$3 billion so far this year in initial public offerings and follow-on equity sales according to Thomson Financial, marking a record for Jakarta's stock market.

IPOs raised \$720 million so far this year, nearly twice as much as last year's \$365 million.

Road Show Planned for Bank Tabungan Pensiunan Nasional IPO

State asset management firm, PT PPA, which plans to sell 28% of Bank Tabungan Pensiunan Nasional (BTPN), said it would take the mid-sized bank on an investor road show in late October or early November.

PPA plans to sell its entire stake in the bank in November through an IPO.

PPA vice president director Raden Pardede told Reuters that the overseas road show is likely to include Hong Kong and Singapore.

The state firm delayed the issue from September following concern over the subprime mortgage crisis in the US.

PT BNI Securities and CIMB-GK Securities have been appointed as underwriters for the bank's IPO.

BTPN, set up in 1986, had total assets of Rp6.4 trillion (\$706 million) in 2006, against Rp4.5 trillion in the previous year. It has around 100 branches in Indonesia, and has traditionally focused on state pensioners.

The state asset firm acquired a stake in BTPN following the Asian financial crisis, and currently manages assets with a total book value of about Rp4.3 trillion, including shares in banks and residential property.

PRIVATE SECTOR

Nine-Month Vehicle Sales Up 40%

Sales of new vehicles in the country for the first nine months of the year rose 40% on year to 230,504 units from 164,173 units, industry data showed Tuesday (9/10/07).

Data compiled by the Indonesian carmakers association, Gaikindo, showed new vehicle sales for September rose 1.6% month-on-month to 29,195 units from 28,722 units, reported Dow Jones Newswires.

Japan's Toyota Motor Corp, which partners PT Astra International in the market, topped the sales chart, selling 12,671 units in September, up 2% from 12,405 in August.

Meanwhile motorcycle sales rose by 11.58% to 478,853 units in September from 429,126 in the preceding month, the industry association said Thursday.

Honda topped the September sales with 239,267 units, up 28% from the previous month after it released new models.

Arch-rival Yamaha trailed at second with sales down 2.55% to 164,399 units, while Suzuki was a distant third with 68,261 units, according to the data released by the Indonesian Motorcycles Industries Association (AISI).

Kalbe Farma Boosts Investment in Offshore Unit

Publicly-listed pharmaceutical company PT Kalbe Farma invested another \$1 million in its Singapore-based subsidiary, Kalbe International Pte. Ltd (KI), on October 4, bringing its investment in KI to \$2 million, a spokesperson said, Asia Pulse reported on Thursday (11/10/07).

Kalbe Farma first invested \$1 million in KI on August 30, corporate secretary Justian Sumardi stated in a report to the Capital Market and Financial Institutions Supervisory Agency (Bapepam-LK).

Kalbe Farma acquired KI on June 11 this year. The distributor and manufacturer of medicines for humans and animals has four divisions: pharmacy, health food, packing and distribution and owns 10 subsidiaries and two production units in West Java.

BANKS

Banks Continue Strong Performance

The banking industry continued to put in a strong performance moving into the year's third quarter, despite a slight backslide in lending by several banks and a possible rise in bad consumer loans.

Banks added another Rp21.2 trillion (\$2.3 billion) to their total loan portfolios in August, the central bank said in its latest assessment of the industry released Monday (8/10/07), according to *The Jakarta Post*.

Adding to July's figures, total lending has reached Rp935.8 trillion, or a 21.79% increase over the same period last year.

Savings and deposits grew in August by another Rp13.4 trillion to reach a total Rp1,392.6 trillion during the first eight months of 2007.

The sector's loan-to-deposit (LDR) ratio rose to 67.3% -- the highest since the 1997 Asian financial crisis, Bank Indonesia (BI) Senior Deputy Governor Miranda Goeltom said.

She added that she expects the industry to achieve its 22% loan growth target for this year, after disappointing 14% growth in 2006.

BI Deputy Governor Muliawan Hadad however warned that 20 lenders out of the total of 130 reported drops in their total lending so far this year.

"The industry as a whole has increased lending, most notably the private banks. But it turns out that there were also some banks whose lending actually shrank," he said. "We will be asking the banks what's actually happening."

Hadad declined to name the banks, or say whether they included state banks.

A further concern for the industry is the potential rise in bad loans in the consumer sector, he noted. "Banks must pay particular attention to the quality of their consumer loans, such as car and motorcycle loans, which usually rise during the Ramadhan and Idul Fitri holiday season, as well as at the year-end," he said. "An increase in such consumer loans obliges the banks to perform better credit-risk management."

BI noted that the banking industry's gross non-performing loan (NPL) level declined slightly to 6.31% in August from 6.64% a month ago. The net NPL level for delinquent loans as regards principal and interest installment payments over the last six months was also down to 2.84% from 2.95%.

Bank Panin to Acquire Bank Harfa

PT Bank Pan Indonesia, which trades as Bank Panin, said Thursday (11/10/07) it will acquire 100% of PT Bank Harfa for Rp50 billion (\$5.51 million) to grow its business, Dow Jones Newswires reported.

The bank said it plans to make Bank Harfa its shariah-banking arm if the transaction goes through.

"Bank Panin has enough funds to finance the acquisition of 100%...of Bank Harfa," it said in an announcement published in a local newspaper. The acquisition of the Surabaya-based small lender is expected to be completed by December 28, Bank Panin said.

Bank Harfa had Rp177.39 billion of assets as of June 30.

Bank Mega to Sell Bonds to Boost Lending

PT Bank Mega plans to sell Rp1 trillion (\$110 million) of 10-year bonds starting next month and use the proceeds to increase lending, Bloomberg reported.

The bonds will have fixed coupons that will be higher in the sixth to 10th years, Bank Mega said in a statement published in *Bisnis Indonesia* on Thursday (11/10/07). The bank has a right to buy back the bonds at the end of the fifth year.

Bank Mega, Indonesia's 12th-largest lender by assets, saw outstanding loans to customers rise to Rp11.5 trillion at the end of June, from Rp11 trillion at the end of last year, the statement said.

Bank NISP to Issue Bonds

Publicly listed Bank NISP said it plans to issue bonds to raise fresh funds to refinance Rp500 billion (\$55.5 million) debt in bonds maturing in March 2008, Asia Pulse reported.

The bond debt dates back to 2003 when the bank issued a rupiah bond valued at Rp455 billion and a \$5,000 US dollar bond.

NISP President Pramukti Surjandaja said the bank, which is 72.29% owned by OCBC Singapore, considered issuing new bonds as the market has improved.

Pramukti said if the plan to issue new bonds failed, the bank still could repay the debt as its capital adequacy ratio (CAR) has remained high at 18.9% by the end of the first half of this year.

Bank DKI Appoints Bond Underwriters

Bank DKI has appointed Standard Chartered Securities and Mandiri Sekuritas as underwriters for Rp750 billion bonds slated this year, an executive said on Thursday (11/10/07).

The bank, owned by Jakarta's city government, plans to issue the bonds -- a 5-year Rp425 billion worth of senior debt and a 10-year Rp325 billion of subordinated bonds -- by the end of November or early

December, Mamad Sachroni, finance director at Bank DKI told Reuters.

"The bond proceeds will enable us to extend more loans. We're targeting a 40%-50% loan growth next year," Sachroni said. This compared with the bank's loan growth target of 76% this year.

Bank DKI had total assets of about Rp11 trillion, with total outstanding loans at about Rp3.7 trillion as of last year. This year, it is aiming for total outstanding loans of Rp6.5 trillion.

Bank DKI is among the banks likely to take part in financing big infrastructure projects in the capital, such as the Jakarta monorail and toll roads.

POWER

PLN to Seek Bids for Sumatra-Java Transmission Line

State utility PT PLN will seek bids to construct a \$1 billion power link connecting Sumatra and Java islands to prevent blackouts, Bloomberg reported on Wednesday (10/10/07).

The utility will invite offers in the first half of next year as it expects the network to start operating in 2011, Ali Herman Ibrahim, director of power generation, told reporters in Jakarta.

The 440-km line, including submarine cables crossing the Sunda Strait, will allow PLN to build power plants next to coal mines in Sumatra and transmit the electricity to Java. Power outages often occur on both islands because the utility, hobbled by the government's price cap, hasn't had funds to upgrade its aging network and add transmission lines.

PLN will seek loans to finance the project, Ibrahim said. The Sumatra-Java link may have a capacity of 3,000 MW, Herman Darnel Ibrahim, vice president of transmission and distribution, said earlier.

Venture to Build 2,400 MW Plant

A venture that includes PT Tambang Batubara Bukit Asam, a state-controlled coal mining company, and China Huadian Corp. plans to build a 2,400-MW power plant in Bangko Tengah in South Sumatra province, Bloomberg reported.

The \$2.2 billion facility will have four units of 600 MW each, one of which will be used to feed Sumatra network and the others to meet electricity demand in Java.

Power generated from the plant may be sold to PLN, which owns 8% of the project, at about 3.5 cents per kilowatt-hour, Sukrisno, president director of Bukit Asam, said.

Kyushu Electric Takes Geothermal Stake

Kyushu Electric Power Co Inc told Reuters on Tuesday (9/10/07) it had acquired a 25% stake in a geothermal power project in North Sumatra from energy explorer PT Medco Energi International for an undisclosed sum.

Last year, state electricity firm PT PLN awarded a contract to a consortium of Medco, Ormat Technologies and Itochu Corp. to build a 330 MW geothermal power plant in Sarulla in the province.

Medco chief executive officer Hilmi Panigoro said in May that it wanted Kyushu to join the project because of its experience in the field. Panigoro said then that Medco had a 62.25% stake in the Sarulla project, Itochu 25% and Ormat 12.75%.

OIL & GAS

BP Sells 1st Oyong Cargo

BP has sold the first cargo of light sweet Oyong crude at a discount to its Indonesian peer Belida, a trading source told Reuters on Tuesday (9/10/07), just two weeks after the field started production.

BP sold the 200,000-barrel cargo of first-half November-loading Oyong crude to an Australian refiner, the source said. Price details were not immediately clear but the source said the cargo had traded at a discount to the Belida official Indonesia Crude Price (ICP).

The ICP for Belida, which is lighter than Oyong crude, was calculated at a record-high of \$79.79 a barrel for September, almost \$3.00 above Indonesian benchmark heavy sweet Minas crude.

Australian oil and gas group Santos Ltd, which operates the field with a 45% stake, has had an agreement for BP Singapore to market its crude oil and natural gas liquids since 2004.

Production, which had been delayed by about a year, started in late September. Oyong is believed to be Indonesia's only new oilfield to come on stream this year.

Gross oil production rates are expected to stabilize at between 8,000 and 10,000 barrels of oil per day after an initial ramp-up period.

Front-end engineering design for development of the field's gas reserves is underway, with a final investment decision expected before the end of 2007, and first gas production anticipated in the first half of 2009.

The other stakeholders are Singapore Petroleum Company Ltd with 40% and Australia's Cue Energy Pty Ltd with 15%.

Total, Inpex Find Gas at Mahakam

French oil and gas giant Total and Japan's Inpex Holding Inc said on Wednesday (10/10/07) they have made two new gas discoveries in the southern part of the offshore Mahakam block.

"These discoveries lie a few kilometers from the Stupa field and strengthen the potential of this field," Reuters quoted Total as saying in a press release.

Inpex and Total expects the fields to start production by 2012. Both have 50% stakes in the field.

EMP Resumes Production at Sepanjang Field

Oil and gas producer PT Energi Mega Persada (EMP) said Wednesday (10/10/07) its unit Kangean Energy Indonesia Ltd resumed oil production at the Sepanjang oil field in East Java on October 8.

Production at the oil field was halted in April due to technical problems at its floating storage offshore (FSO) unit, Thomson Financial reported.

EMP told the Jakarta Stock Exchange that it has leased a new FSO 'concorde' tanker that is capable of storing 230,000 barrels of oil.

The Sepanjang oil field's SED-1A well currently produces oil at an average of 3,500 barrels per day. The field, which was acquired from British Petroleum in 1994, has the capacity to produce up to 9,000 barrels of oil per day.

EWC to Shoot Seismic At Sengkang

Australia's Energy World Corporation will start shooting seismic at its Sengkang block in South Sulawesi, the site of a planned mid-size LNG plant project, before the end of this year, a company official told *Platts Commodity News* Monday (8/10/07).

The seismic work is expected to help further exploration and development of the Sengkang gas field, which currently supplies feedstock to EWC's 135 MW Sengkang power plant.

EWC in July awarded Chart Energy & Chemicals of the US contracts worth over \$100 million to supply equipment for four modular liquefaction trains of 500,000 mt/year capacity each for installation at the Sengkang gas field.

The first two of these trains will begin LNG production in the second quarter of 2009, the official said, adding that the timeline for installing the third and fourth units had not yet been finalized.

EWC has estimated a total 406 Bcf of proved and probable net remaining sales gas reserves in the Sengkang producing and non-producing fields.

Of these, 152 Bcf of reserves are committed to EWC's Sengkang power station, which is currently being expanded to 195 MW capacity, leaving the rest for LNG production.

The company owns 100% interest in the Sengkang production sharing contract, having bought out its partner El Paso's stakes in October 2006.

MINING

Bukit Asam in Talks to Buy 17 Coal Mines

PT Tambang Batubara Bukit Asam, a company that controls more than a quarter of Indonesia's coal reserves, is in talks to buy 17 mines in Kalimantan to boost output and meet rising Asian demand.

The company is studying 13 mines and may conclude talks on the remaining four "soon," company president director Sukrisno said in an interview with Bloomberg Wednesday (10/10/07). The mines have reserves of between 5 million metric tons and 20 million tons each.

Bukit Asam is buying mines in areas with faster and cheaper access to ports to benefit from surging coal prices, which reached records in August. Inadequate rail transportation in Sumatra, where the bulk of the company's reserves lie, forces the producer to utilize less than half the capacity of its mines on the island. Output may drop 4% in 2007, Sukrisno said.

"We want to get as much as possible from Kalimantan because we want to be less dependent on the railways," finance director Dono Boestami said, "We have abundant cash" for acquisitions, he said.

The company, 65% owned by the government, had Rp1.59 trillion of cash and no debt as of the end of June this year, according to its financial report.

Timah to Add Output Capacity

PT Timah, the world's second-largest tin producer, said two new furnaces designed to increase capacity by about a third will start operating by January, Bloomberg reported on Monday (8/10/07).

Each of the furnaces can produce 7,000 metric tons of tin a year, president director Wachid Usman said in an interview in London on October 5. Current capacity is about 48,000 tons and the first new furnace may be operational by November, he said. Timah may not run the new units at full capacity, Usman said.

"We don't want to flood the market" and higher production would depend on demand from customers, he said.

Tin has gained 39% this year on international markets. Prices are rising because of expanding demand in China, the world's largest user and producer, and restrictions on exports from Indonesia.

Prices will rise further next year because of declining production from Southeast Asian producers, Usman said, without giving a specific forecast.

Timah's new furnaces will use slag as raw material for smelting, Usman said. Slag, a residue left over from the smelting of concentrate, can be processed to recover metal. Concentrate is an intermediate product.

Timah's production and sales plans match demand from customers, Usman said. This year's production will be between 45,000 tons and 48,000 tons, compared with 44,000 tons last year, he said.

The company will export 45,000 tons to customers with contracts in 2008. Indonesia has yet to decide if it will impose an annual export quota, he said.

Antam FeNi III Smelter Operating Rate Up

Gold and nickel miner PT Aneka Tambang (Antam), said Monday (9/10/07) that it is currently operating the FeNi III smelter at a power load of 20 MW, or around 60% of its usual capacity, following the completion of partial repairs on August 26.

Earlier this year, the company slashed FeNi III's power load to 2 MW from 34 MW following a metal leakage from the furnace wall on June 16, Dow Jones reported. Since then, the company has been gradually ramping up production amid ongoing investigations and repairs.

Despite the production slowdown, the company said that its nickel output forecast for 2007 remains at 16,000 tons. "As production remains on target, there should be no potential losses from the repairs," an official from the company said.

Antam said it will continue to monitor carefully the furnace and ramp so its power load will not exceed 25MW.

To ensure safe and stable operation, Antam said it is also targeting nickel output to grow 6.3% at 17,000 tons in 2008. The \$320-million FeNi III ferronickel smelter, located on Sulawesi, started commercial operation on January 29, 2007.

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