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REPUBLIC OF INDONESIA

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## POLITICS

### Heavy Security for Climate Talks

Supervision in Bali has been tightened ahead of the international conference on climate change on the island, Bali Police chief Insp. Gen. Paulus Purwoko told reporters on Wednesday, *The Jakarta Post* reported.

He said necessary steps have been taken by the Bali police. K-9 dogs able to sniff explosives had been stationed at the airport and 10 more were to be sent by National Police headquarters to boost security checks at ports and warehouses of all delivery service agents.

The police's anti-terror squad, Detachment 88, on Wednesday distributed pamphlets containing pictures of wanted terror suspects who are currently at large to small ports.

The suspects are Noordin M. Top, Dulmatin, Anis Ma'ruf, Umar al-Patek, Zulkarnaen, Noor Lamsa, Anton Cristianto, Dr. Agus Al-Makbul, Saiful Hadi, Maruto, Tedi, Para Wijayanto and Sastro.

NGOs and environmental activists will not be allowed to hold rallies in or near the Nusa Dua area during the climate conference, Purwoko added.

A total of 5,000 police will provide security for the global climate change summit in Bali, Agence France-Presse reported. "More than 5,000 Indonesian police officers will stand guard on Bali and other places on Java during the summit," Gen. Sutanto told reporters.

The police operation, code named Candi Agung 2007, will involve personnel from National Police headquarters, Bali, Jakarta, central Java, East Java, Yogyakarta and West Nusa Tenggara Police offices.

The event "is not only in Bali, the activities will also take place in Jakarta, West Java, Central Java, and East Java, as well as a bicycle rally passing through most of these areas," Sutanto said.

Police would begin fanning out from November 20 and remain on duty until the summit's end. Meetings leading up to the key talks begin on December 3 and the summit concludes on December 14.

The United Nations Framework Convention on Climate Change conference aims to see countries agree to launch a roadmap for negotiating cuts in carbon emissions from 2012, when current pledges under the Kyoto Protocol run out.

State Minister for the Environment Rachmat Witoelar says that acting as host to the conference gives Indonesia a special position on the issue of climate change.

"This shows recognition from international world to Indonesia as a mediator as well as giving Indonesia a chance to play an important role on environmental issues," Witloelar said.

The United Nations Framework Convention on Climate Change (UNFCCC) reports that there is a 90% probability that emissions over the last 100 years have increased global temperatures by 0.74 C, and a similar probability that they will rise by 3 C in this century if the world continues to follow the "business as usual" path of development.

Thanks to rapid economic development, between 1970 and 2004, greenhouse gas as defined in the Kyoto Protocol has increased by 70%.

### New Armed Forces Commander Likely

President Susilo Bambang Yudhoyono is expected to present the name of his candidate as new commander of the Armed Forces (TNI) to the House of Representatives on Monday (26/11/07), *Kompas* reported.

Current TNI Commander Air Marshal Djoko Suyanto is due for retirement and four senior officers are seen as the likely candidates to replace him.

They are Army Chief of Staff Gen. Djoko Santoso, former Navy Chief of Staff Admiral Slamet Soebijanto, current Navy Chief of Staff Admiral Sumardjono and Air Force chief Air Marshal Herman Prayitno. Candidates for the position must have served as commander of one of the three services.

Santoso is the youngest of the candidates and is not due to retire until September 2010, while the other three are all due to retire next year, with Prayitno scheduled to leave the service in January, although terms can be extended, especially if an officer is appointed as TNI commander.

The choice of a new Armed Forces Commander is the prerogative of the president, who only needs to advise the House of his choice.

## Corruption Probe Doesn't Reach Top: President

President Susilo Bambang Yudhoyono has admitted that the corruption eradication effort is still focusing on the middle class and is not yet capable of touching high-profile perpetrators, local website Okezone reported on Wednesday (21/11/07).

"It is very ineffective for the anti-corruption movement to start from the middle or the lower classes," Dr. Yudhoyono said when opening the International Association of Anti-Corruption Authorities (IACA) in Nusa Dua, Bali.

He said corruption eradication would only be effective if backed by leaders at the highest levels in a country or institution.

The President emphasized the importance of human resources and a flawless system to be implemented in any corruption eradication institution. "It is imperative to have clean, dedicated and professional law enforcement officers," he added.

The conference hosted 800 participants from 93 countries and 233 international organizations in the corruption eradication field.

## Challenges Ahead for Indonesia 2030 Vision

Indonesia faces many challenges if it wants to realize its vision of being a far stronger and more prosperous country by 2030, a conference on the plan was told on Tuesday (20/11/07), *Kompas* reported.

These challenges included better arrangement of the country's geographic and demographic potentials, while current geographic and demographic realities present problems for national integration, Defense Minister Juwono Sudarsono said in an address to the conference.

The minister added that Indonesia should be able to capitalize on its strategic control of shipping lanes, with 80% of oil and gas supplies to China and Japan passing through its waters.

Above all, Indonesians needed to be united in order to achieve a better future, he said. "There are still plenty of disturbances between ourselves ... Many decisions cannot be made in an efficient way."

Sudarsono said it was also important that welfare conditions be improved in the nation's four richest provinces, Aceh, Riau, East Kalimantan and Papua. "People in these provinces need to be made to feel they are Indonesian by providing employment and the opportunity to occupy professional and strategic positions."

## REGIONS

### **Aceh Arms Caches No Threat to Peace: Analyst**

There is no suggestion so far that there is any organized movement among former Free Aceh Movement (GAM) rebels to hold on to weapons for the purpose of restarting an armed struggle, says an academic who has recently visited the province.

Ed Aspinall of the Australian National University (ANU) told Radio Australia on Thursday (22/11/07) that it was widely understood at the time of the enforcement of the Helsinki Memorandum of Understanding that the rebels could produce their own weapons in jungle factories.

Residents of the province, mired in separatist conflict for nearly 30 years until the MoU brought peace, have handed in 144 illegal weapons over the past month in response to a police amnesty program.

"To the extent that weapons are still circulating and being used, these are mostly being used for criminal activities, armed robberies in people's houses, on some of the main roads and so on, in an unorganized way by people who are possibly disgruntled former rebels," Aspinall said.

### **Mt. Kelud Lava Dome Signals Danger**

Geologists from the Institute of Technology (ITS) in Surabaya on Thursday (22/11/07) say the lava dome that has formed on Mt. Kelud's crater lake is not a new phenomenon, and could indicate an eruption is imminent, *The Jakarta Post* reported.

Geologists said a similar lava dome was reported before the 1919 eruption that claimed more than 5,000 lives.

Geologists said the presence of the lava dome, along with tremors and discharges of ash up to 120 meters high, must be taken as a serious warning sign.

"In theory Mt. Kelud is ready to erupt. The higher the dome grows, the greater the possibility of an eruption," said Amien.

Sugihwaras village administrative chief in Ngancar district, Kediri regency, Susiadi, where Mt. Kelud is located, said residents are still going about their daily activities, but there has been growing concern since Kelud was placed on top alert status on October 16.

"Residents have held a traditional ritual to appease the mountain. They believe Mt. Kelud will erupt before the end of the year," said Susiadi.

### **Greece to Aid Malacca Strait Security**

The Greek government announced Monday (19/11/07) it would give \$1 million to help secure the Strait of Malacca, a strategic shipping lane that has been troubled by pirates.

Greek Merchant Marine Minister Georges Voulgarakis made the announcement during a meeting of the 162-member UN agency International Maritime Organization (IMO) in London, his ministry said in a statement.

Voulgarakis said he hoped other countries would follow the lead of Greece, which maintains the world's largest shipping fleet.

The sum will be deposited into a fund created by the IMO "to improve the security of the strait," in cooperation with countries such as Singapore, Malaysia and Indonesia bordering the maritime corridor, which handles 30% of all sea transport globally.

The United States has offered to help secure the zone against possible terrorist attacks, which the littoral states have rejected to date.

## ECONOMY

### 2008 Growth Target Achievable: Boediono

The economy is expected to grow between 6.5% and 7% next year despite signs of a global slowdown, Coordinating Minister for Economic Affairs Boediono told Dow Jones Newswires in an interview Wednesday (21/11/07).

"I think that the target range is still achievable," Boediono said, adding that growth would be driven by exports and domestic expansion.

The government has estimated that the economy will grow 6.8% in 2008.

"I think despite the possible slowdown in global growth, our (commodity) exports will continue to perform quite well. I also see the domestic front experiencing a momentum now in terms of growth," with the program to speed up infrastructure projects, he said.

He said spending on infrastructure will be 50% higher in 2008 compared with this year, which will help boost domestic growth. He admitted there was concern over higher oil prices among the industrial sector. "We are concerned about the US. The indirect impact on us is real."

The government will spend Rp100 trillion (\$10.7 billion) next year to build roads and ports in a bid to remove bottlenecks.

Indonesia is a big exporter of commodities, which according to Boediono "are fetching good prices and will continue to fetch good prices."

But the government is concerned about rising oil prices.

"Energy costs for our industries are a concern at the moment. We are concerned about the non-commodity, non-energy and non-mining exports, like industrial exports," he said.

Boediono also said exports could be hurt by a U.S. economic slowdown.

"We are concerned about the U.S. The indirect impact on us is real."

He said the rupiah level "right now seems OK. But I think we are always ready to smooth out the unnecessary volatility."

Bank Indonesia said it would continue to intervene in the market to defend the rupiah, which was trading at 9,370/9,373 to the US dollar late Friday.

On Temasek Holdings' (TEMAH.YY) troubles in Indonesia, Boediono said a ruling this week, which found the Singapore state-owned investment firm in violation of the country's cross-ownership regulations, won't affect foreign investments in Indonesia. "Certainly not," he said when asked if foreign investors would be less willing to invest in Indonesia after the ruling.

"What we would like to see of course is a fair and transparent process for the resolution of this issue. And the government is interested to see that any such process will be transparent and fair for all parties." Boediono said.

## **BUSINESS BRIEFS**

### **MACROECONOMY**

## **High Energy Prices Bring Windfall**

Income tax receipts from the oil and gas sector are expected to increase by Rp4-5 trillion (\$427 million-\$533 million) this year due to the current global oil price spiral, Director General of Taxation Darmin Nasution said Friday (23/11/07), Asia Pulse reported.

"If I am not mistaken this year's income tax receipts from oil and gas will increase by Rp4-5 trillion from the target set in the revised 2007 state budget," he said.

This would be in addition to a larger increase in non-tax state revenues from the oil and gas sector, he said, declining to mention a figure.

If combined with an increase in other revenues, such as from crude palm oil, the increase in income tax receipts from the oil and gas sector would be higher than a rise in fuel and electricity subsidy borne by the government, he said.

## **Bank Indonesia to Smooth Rupiah Volatility**

Bank Indonesia on Thursday (22/11/07) reiterated it will take action in the foreign-exchange market to "smooth volatility" in the rupiah, Bloomberg reported.

Deputy Governor Hartadi Sarwono said the central bank will continue to intervene "especially when demand for foreign currencies increases to a level where supplies cannot meet," he said.

"Principally, the intervention is not meant to achieve a certain exchange rate, but is meant to smooth out volatility." The rupiah was trading at 9,370/9,373 to the US dollar at close of business on Friday.

Meanwhile Senior Deputy Governor Miranda Goelton said headline inflation may be as high as 6% next year, Dow Jones Newswires reported.

"Inflation next year will likely be at the upper end of (the) target of (between 4% and 6%)," Goelton told reporters.

## **Govt. Sells Rp1.5T in Bonds**

Indonesia raised Rp1.5 trillion (\$160.8 million) in a bond auction on Tuesday (20/11/07), slightly below target amid fresh concerns over the sub-prime mortgage crisis in the United States, Reuters reported.

The government had targeted to raise Rp2 trillion from the auction of the new five-year zero coupon debt.

Remarks from central bank deputy governor Hartadi Sarwono late last week that there was still room to cut interest rates later this year failed to significantly boost demand for the bonds in the auction.

Priced to yield 9.869%, the bonds rank among the highest-yielding government debt in Asia.

## **Inflation to Ease in 2008: Macquarie**

Consumer inflation is forecast to decelerate to an annual average of 5.5% in 2008 from 6.5% estimated for this year as the government continues to subsidize the cost of fuel, Macquarie said, according to a Thomson Financial report on Friday (23/11/07)

Subsidized fuel products still account for about 60% of nationwide fuel consumption.

Fuel subsidy spending this year could hit around \$9.8 billion, compared to a previous estimate of \$6.0 billion as international prices rise well above the original assumption of \$60 a barrel.

"This will wipe out the 'contingency' fund of about \$770 million and there will still be a hit of around \$3 billion to the fiscal position," Macquarie said in a note to clients.

Sustained higher oil prices may result in spending cuts in other parts of the budget, it said.

The key growth risk is a slowdown in export partners' economies precipitated by the spiraling cost of oil, it said.

## INVESTMENT

### VP Pushes EU Trade, Investment

Vice President Jusuf Kalla has called on Europe to do more business with Indonesia, saying the current strength of the Euro makes Indonesia a bargain.

"There's never been a better time than now to strengthen our economic relationship by taking advantage of the current situation," Kalla told a business gathering Thursday (22/11/07) organized by the European business chambers, *The Jakarta Post* reported.

"With a strong euro, Indonesia can export more to Europe -- we're already exporting most of our palm oil to Europe -- while Europe can, on the other hand, invest more cheaply in Indonesia."

Kalla said two-way trade between Indonesia and the EU up to the end of September reached \$15.3 billion, up nearly 16% from the same period last year.

Kalla said the administration was working around the clock to improve its policies, regulations and institutions in order to facilitate business and investment. This included the main concerns of market competition and labor issues.

He said the government was working to improve the flexibility of the labor market, adding that most problems occurred in companies paying unnecessarily low wages.

"I rarely hear about such problems with European investors, as you already pay your workers enough, so they are satisfied and don't create trouble."

### KL's Jetson Wins \$56M Jakarta Project

Malaysian firm Kumpulan Jetson Bhd has been awarded a contract worth \$56 million to design and build 1,018 units in a commercial and residential development on 26.95 hectares of land in Indonesia by land developer Kelapa Gading, *The Edge Financial Daily* reported.

In a statement to Bursa Malaysia on Tuesday (20/11/07), Jetson said its unit Jetson Construction Sdn Bhd had received a letter of award from PT Piramida Daya Nusantara, a special purpose vehicle incorporated by Kelapa Gading.

Jetson's scope of work involves development management, design development and approval as well as construction and project management of land at Kelapa Gading in North Jakarta.

### Indian Firm to Spend \$38M on Plantations

Leading Indian edible oil refiner Jhunjhunwala Vanaspati Ltd said on Wednesday (21/11/07) it will spend up to \$38 million to buy 20,000 hectares of oil palm plantations in Indonesia, Reuters reported.

"We are looking at either virgin or developed plantations in Indonesia. We may also consider other countries, including Malaysia," company director S.N. Jhunjhunwala said in a statement.

India, the world's second-biggest vegetable oil importer after China, buys palm oil from Malaysia and Indonesia, and soyoil from Brazil and Argentina.

Indonesia has the potential to add 10 to 11 million hectares of oil palm plantations, which currently total about 6 million hectares, without damaging virgin forests, M.R. Chandran, adviser to the Roundtable on Sustainable Palm Oil, told Reuters in an interview in September.

## **Pandu Logistics to Sell 40% Stake To Emirates**

Pandu Siwi Group, one of the country's largest logistic companies said it will sell 40% of its shares to Emirates Post, a post office company owned by the government of the United Arab Emirates, Asia Pulse reported on Monday (19/11/07).

The process of acquisition, valued at least Rp100 billion (\$11.1 million) by the Dubai-based company, is expected to be concluded in January, said Bhakty Kasry, chairman of PT Pandu Siwi Sentosa.

Kasry said an alliance with Emirates Post will allow Pandu Siwi to expand its operations regionally and globally.

He said the Pandu Siwi group is set to become the largest logistics company in Southeast Asia in the next five years.

## **Cable Maker in \$4M Expansion**

PT Prysmian Cables Indonesia, a subsidiary of an Italian cable manufacturer, will invest up to \$4 million to increase the capacity of the company's telecommunication and electric cables at its plant in Cikampek, West Java, *The Jakarta Post* reported.

President director Stefano Poli said November 17 that the additional investment would partly be used to purchase 13 new machines in order to increase the production of optical fiber cables up to 500,000 km from 200,000 km, and the capacity of electric cables to 16,000 tons from 9,000 tons at present.

The new production facility is scheduled to begin operation next year. Poli said further expansion would be in line with market demand.

## **Danone to Start Yoghurt Production**

French food and beverage producer PT Danone Indonesia will put a new yoghurt plant in Cikarang into operation in the first quarter of next year, Asia Pulse reported.

The yoghurt factory built at a cost of Rp123 billion (\$13.67 million) will have an annual production capacity of 20,000 tons, the association of food and beverage producers (Gappmi) said.

Gappmi chairman Thomas Darmawan said Danone Indonesia will produce yoghurt from fresh milk and will use the Activia brand, which is popular in international markets.

### **STATE CONCERNS**

## **US Drops Paper Anti-Dumping Probe**

The US International Trade Commission (USITC) has said it found no evidence that imports of coated free sheet from Indonesia, China and South Korea had caused injuries to the US paper industry, Asia Pulse reported on Friday (23/11/07).

Indonesia's largest paper maker, the Sinar Mas Group, said it is set to regain its lost market foothold in the US market after the ruling.

The Sinar Mas Group has said the allegation was groundless as it had a market share of less than 4% in the US.

The decision overthrew a ruling by the US Department of Commerce in October that hit China with countervailing duties ranging up to 44.25% and additional anti-dumping duties of up to 99.65%. It set lesser penalties on glossy paper from South Korea and Indonesia.

Meanwhile the government has urged the Commission for the Conservation of Southern Bluefin Tuna (CCSBT) member countries to lift their embargo on Indonesian tuna exports.

Indonesia made the request during the 14th CCBST meeting in Canberra recently, the head of the maritime affairs and fisheries ministry's statistical data and information center, Saut Hutagalung, said Thursday.

The commission had clamped trade restrictions on Indonesia, shutting off markets including Australia, Japan, South Korea and the United States, he said.

The Indonesian delegation explained latest developments in coordination and consultation meetings among government agencies, including their meeting with stakeholders in October, he said.

Indonesia had expressed its willingness to cooperate with CCSBT members in tuna catch monitoring, Hutagalung said.

SOEs

## Telkomsel Predicts Tougher Times Ahead

PT Telkomsel, Indonesia's largest mobile phone operator, on Monday (19/11/07) forecast revenue growth of more than 24%, but warned its margins would be squeezed by higher costs and competition, Reuters reported.

Telkomsel, 65% owned by state-owned PT Telekomunikasi Indonesia, booked Rp29 trillion (\$3.11 billion) in revenue last year.

Telkomsel said in a corporate presentation posted on the Singapore Stock Exchange that it expected its EBITDA margin to decline by 2 percentage points this year, highlighting a number of challenges such as price war and higher operating and maintenance expenses.

Telkomsel controls more than half of Indonesia's approximately 75 million mobile phone users.

As of September, Telkomsel had 44.5 million customers, up 37% from a year ago, pushing its revenue up by 34 percent year-on-year to Rp28.1 trillion.

## Ericsson to Build Solar GPS Base Station

Ericsson announced on Wednesday (21/11/07) a solar-driven and energy-efficient main-remote GSM base station to be deployed in conjunction with Indonesian operator PT Telkomsel, the company said in a statement reported by Dow Jones Newswires.

The company described the move as a "breakthrough" that would provide macro coverage in an untapped area of Sumatra and address the mobile communications needs in other rural areas.

The Main-Remote GSM base station RBS 2111 is part of the Ericsson Communications Expander portfolio. It consumes up to 60% less energy than a standard base station.

The new site solution is ideal for deployment in rural areas with limited electricity supply, the statement said.

#### PRIVATE SECTOR

### **Excelcom to Borrow \$950M in 2008**

Indonesia's third-largest mobile phone operator, PT Excelcomindo Pratama, plans to borrow \$950 million next year for its capital expenditure and to refinance its debt, the company's chief said on Friday (23/11/07), Reuters reported.

The firm has not decided on the source of the funds, but said \$600 million will be used to refinance outstanding debt, which stood at Rp7.9 trillion (\$843.6 million) at the end of June.

About \$350 million will be used for its \$650 million capital expenditure for next year.

"It could be a syndicated loan, multiple loans or an issuance of bonds," Hasnul Suhaimi told reporters, referring to the source of the funds.

"When the market shows good signs, then we'll make a move, if not, we'll wait. Thus, we haven't specified any time frame."

Suhaimi said although competition is stiffer, Exelcom's revenue growth was on track and the number of subscribers was likely to reach around 14.5 million by the end of the year.

### **Indosat Reports Q3 Profit Jump**

PT Indosat reported on Thursday (22/11/07) a 55% on-year rise in its nine-month net profit, due to an increase in revenue, Dow Jones Newswires reported.

The country's second-largest cellular phone company by subscribers said its net profit for the January-to-September period rose to Rp1.44 trillion, from Rp927.17 billion a year earlier.

Total revenue rose 34% to Rp11.88 trillion, from Rp8.87 trillion.

Indosat said revenue from its cellular services, which contributed 77% to its total revenue, rose 38% on year to Rp9.15 trillion, from Rp6.64 trillion.

Revenue from multimedia and fixed telecommunication services rose 23% to Rp2.74 trillion, from Rp2.23 trillion.

Wong Heang Tuck, Indosat's chief financial officer, said he expects 2007's full-year net profit to hit more than Rp2 trillion, compared with Rp1.41 trillion.

As of September 30, Indosat had 22 million subscribers, up from 16.7 million at the end of December 2006.

### **Indofood Unit Offers to Buy Public Lonsum Shares**

PT Salim Ivomas Pratama, a subsidiary of Indonesia's largest noodle maker PT Indofood Sukses Makmur, launched a tender offer Thursday (22/11/07) to purchase PT PP London Sumatra (Lonsum) shares held by the public, Thomson Financial reported.

The stake involves 485.61 million shares or 35.6% of Lonsum's enlarged capital.

The tender offer price is set at Rp6,900, the company said in a statement. The offer will close on December 5.

Earlier, Salim Ivomas acquired 56.4% of Lonsum shares from other key shareholders for Rp5.7 trillion, raising its stakes in Lonsum to 64.4%.

Indofood owns 57.81% of Indofood Agri Resources Ltd (IndoAgri), a public company listed on the main board of the Singapore stock exchange. IndoAgri owns 90% of Salim Ivomas.

## Arpeni Wins Major Coal Shipping Contract

PT Arpeni Pratama Ocean Line, Indonesia's third-largest shipping company by value, has won a Rp3.1 trillion (\$330 million) contract to deliver 4 million metric tons of coal to feed the Tanjung Jati B power plant in Central Java annually as well as manage a jetty for 15 years, president director Oentoro Surya said Friday (23/11/07), Bloomberg reported.

The contract is expected to increase the company's sales by as much as 20% next year, Surya said, after a gain of 16% to Rp1.3 trillion last year.

Shipping companies including Arpeni and PT Berlian Laju Tanker are expanding their fleets on rising demand to transport commodities in the domestic and overseas markets.

## Adam Air Plans Expansion

Low-cost carrier Adam Air is embarking on a fleet expansion plan that could see it flying 50 to 60 jets within five years, a spokesman said Friday (23/11/07), Agence France-Presse reported.

Privately-owned Adam Air began operations in 2003 and is the largest discount airline in Indonesia's fragmented market by passenger number.

"We plan to add more planes to our fleet, four or five additional aircraft each year. So in five years we will have about 50 to 60 aircraft. Right now we have 23," spokesman Danke Dradjat told AFP.

He said that it was undecided yet whether Adam Air would continue to fly only Boeing 737 series jets or switch to Airbus, but it would depend on "terms and conditions" offered by the two main manufacturers.

He could not give an estimate of how much the carrier would spend but said the rapid expansion of low cost carriers in India and China meant planes were getting more difficult to lease so costs were soaring.

## BANKS

### Bank Credits Grew 23.95% in First 10 Months

Bank credits grew by 23.95% to Rp168 trillion (\$16.8 billion) in the first ten months of this year, the central bank said Monday (19/11/07), Xinhua reported.

Halim Alamsyah, director of research and management at the central bank, said the figure surpassed this year's target of 22%.

"We expect that the growth of credit by the end of this year could reach 24%" he said.

Credit growth was dominated by consumption at around 30%, followed by working capital.

He predicted that the rapid growth of the credit this year would continue to the next year, when the central bank targeted credit growth at 24% to 25%.

## Bank Mega to Open 96 New Branches

Mid-sized PT Bank Niaga will open 96 new branches next year to bring the total number of its branches to 250 units, Asia Pulse reported.

Currently 30 of the 96 units are in the process of construction in strategic areas, general manager Lekhi Mukti said.

The new branches will be established in provinces including Bengkulu, Pangkal Pinag, West Sumatra, Aceh, eastern Indonesia and other areas.

Mukti said Bank Mega, which has assets valued at Rp32 trillion (\$3.5 billion), reported Rp579 billion in pre-tax profit in the first nine months of this year, up from Rp146 billion in the same period last year.

## Panin to Issue Offshore Bonds: Report

PT Bank Pan Indonesia plans to issue subordinated bonds overseas early next year to raise between Rp3 trillion (\$321 million) and Rp4 trillion, *Bisnis Indonesia* reported Wednesday (21/11/07).

The newspaper quoted a bank executive as saying that the bank, known as Bank Panin, needs to raise fresh funds following its recent acquisition of a local bank.

Bank Panin corporate secretary Jasman Ginting said the bank is waiting for the central bank's approval of the proposed bond issue.

### POWER

## Pertamina to Build 2 Geothermal Plants

PT Pertamina Geothermal Energy said it will build two geothermal power plants in Sumatra to be operational in 2009-2010.

The projects, PLTP Lumut Balai in South Sumatra and PLTP Ulu Belu in Bengkulu, will cost around \$50 million, Suryadharma, operations director of the subsidiary of the state-owned oil and gas company PT Pertamina told Asia Pulse on Friday (23/11/07).

Suryadharma said the projects, which consist of four units now under explorations, will have a capacity of 110 MW.

Earlier company president Bambang Kustono said Japan Bank for International Cooperation has pledged financial support of \$10 million for the Ulu Belu plant.

### OIL & GAS

## PetroChina Eyes Sumatra Oil Block

PetroChina, Asia's top oil and gas producer, wants to develop part of the Coastal Plain Pekanbaru (CPP) oil block in Sumatra, where oil production has declined, Mines and Energy Minister Purnomo Yusgiantoro said on Friday (23/11/07), Reuters reported.

Production at the onshore CPP block, jointly owned by state oil firm Pertamina and the Riau province's PT Bumi Siak Pusako, has dropped to around 20,000 barrels per day (bpd) of crude oil, from 60,000 bpd six years ago.

"The government is disappointed with the development of the CPP block as oil output is declining. PetroChina has shown it is interested to enter into the CPP block," Reuters quoted Yusgiantoro as telling reporters.

"If PetroChina enters CPP block, there will be a business-to-business deal," he said, indicating that PetroChina would have to buy a stake from an existing shareholder. PetroChina has several oil and gas fields in Indonesia, including in East Java.

Purnomo said there are still potential oil reserves in the CPP block, but that developing these areas would require sophisticated technology and investment.

Pertamina and Riau province took over the block from Caltex Pacific Indonesia after its contract expired in 2002. Caltex, owned by Chevron, produced 60,000 bpd from the block before it was taken over.

## **Japex to Invest \$900m in E. Java Field**

Japan Petroleum Exploration Co. Ltd plans to raise investment to \$900 million in the Kangean oil and gas field in East Java province by 2012, president and general manager of Kangean Energy Indonesia Keisuke Inoue said Wednesday (21/11/07).

The general manager told a press conference after meeting Vice President Jusuf Kalla that currently the company's investment in the field had reached \$400 million. "The total investment in Kangean will be from \$800 million to \$900 million up to 2012," he was quoted as saying by Xinhua. Inoue said that the field was targeted to begin production in 2010.

## **PGN to Invest \$400m in Processing Plant**

State-owned gas distributor PT Perusahaan Gas Negara (PGN) said it will invest \$400 million to build a gas processing plant with a capacity of 250 million metric standard cubic feet per day (mmscfd) in East Java.

PGN may team up with state electricity company PLN to finance the project, PGN president Sutikno told Antara on Thursday (22/11/07).

Sutikno said PGN and PLN already have met with State Enterprises Minister Sofyan Djalil to discuss the project. PGN would be the majority shareholder if the two state companies agreed to a partnership, he added.

The plant was originally to be built in Situbondo, but the location was likely to be changed with Gresik or Tuban, he said. Gas will be supplied from a number of gas producers including BP Tangguh in Papua.

## **Serica Energy to Start Drilling in Java Sea**

Serica Energy said Wednesday (21/11/07) that the Global Santa Fe 136 jack-up drilling rig has completed its current operations and is now being prepared for mobilization to Serica's Biliton PSC in the Java Sea, where it will drill two exploration wells.

It is expected that the first well, the Batara Ismaya North number one, will be spudded at the start of December and, later that month, the rig will spud the second Biliton well, Batara Indra North number one.

Serica has a 45% interest in the Biliton PSC and is the operator.

## MINING

### **No Limit on Thermal Coal Exports: Minister**

Indonesia will not impose a ceiling on coal exports as domestic demand is still below production, the energy minister said on Thursday (22/11/07). Indonesia, the world's largest exporter of thermal coal, is expected to produce 196 million tons of coal this year with domestic consumption seen at 49 million tons, data from the energy ministry showed.

"Domestic market obligation for coal is included in contracts but we don't need it because domestic demand is small," Reuters quoted Purnomo Yusgiantoro as telling reporters. "We will produce coal based on demand and we won't set a ceiling on exports."

The country is expected to export 147 million tons this year.

Coal output is likely to rise nearly 11% next year as producers increase capacity, but demand for coal is also set to soar as industries switch from petroleum to coal. Indonesia is expected to consume 75 million and 90 million tons of coal in 2009 and 2010, respectively.

The expected increase in domestic coal demand is because of government plans to generate an additional 10,000 MW of electricity by 2010, much of it from coal-fired plants. Industry officials said coal exports were likely to slow because of the expected increase in domestic demand.

Indonesia is expected to export 148 million tons of coal in 2008. Coal exports would increase by only 2 million tons to 150 million tons in 2009.

### **Antam Studies Newmont's Nusa Tenggara Stake**

State-owned mining company PT Aneka Tambang (Antam) said it is studying the possibility of acquiring a stake offered by PT Newmont Nusa Tenggara (NNT).

NNT, which has gold mines in West Nusa Tenggara, plans to divest 10% of its shares as a first phase of an obligation to sell 51% of its shares to Indonesian partners after 10 years of commercial operation as required by its contract with the government.

The corporation has sent a letter to the management of NNT expressing its interest in the stake, Antam vice president Bimo Budi Gatrio said.

Regional administrations in West Nusa Tenggara are expected to acquire 3% stake, leaving a 7% stake available for Antam.

### **Indo Mines to Invest \$600M in Pig Iron Plant**

Australia-based Indo Mines Limited will go ahead with plans to build a \$600 million pig iron plant in Kulon Progo, Yogyakarta, having secured the government's approval for a 30-year contract of work for the operation, an official told *The Jakarta Post*.

Simon Sembiring, the Energy and Mineral Resources Ministry's Director General for Geology and Mineral Resources, said Monday (19/11/07) the approval had been given with the company having agreed to comply with all requirements set by the government.

One of these requirements is for the company, through its local unit, to go public after three years of operation, Sembiring said. The local unit has been set up in the form of a joint venture with an Indonesian company. "They also agreed to use the prevailing tax regime," Simon said.

Under this system, tax charges will follow the existing arrangements imposed by the government.

Sembiring said the government expected to earn as much as \$19.25 million per year in tax revenue from the project. The contract of work obtained by the company could be extended by 20 years, with the government's approval.

He said the company's investment also included plans to build a port and a 350-MW coal-fired power plant.

The government estimates Indo Mines will spend about \$148.5 million for the mining operation, including \$18 million for the development of the power project and \$57 million for coal. The project, which stands on 3,000 hectares of land, is projected to need up to 4 million tons of coal per year to support. The plant is expected to produce 1 million tons of pig iron by 2011.

## **Pamapersada Eyes Kalimantan Coal Mine**

Mining contractor PT Pamapersada Nusantara plans to acquire a coal mine in East Kalimantan with annual production of 10 million tons a year, a company official said on Friday (23/11/07).

PT Pamapersada is owned by Indonesian heavy equipment maker and coal mine contractor PT United Tractors. "We're still in the process of negotiations with the coal firm. It is part of our efforts to expand the business," Reuters quoted Afify Djauhari, the firm's engineering director, as telling reporters. He declined to give a value for the planned acquisition.

Earlier this year, the company bought a coal firm with annual coal output of 3.5 million tons a year in an acquisition valued at \$90 million.

Indonesia is the world largest exporter of thermal coal and rising coal prices have prompted a flurry of investment and acquisition in coal mining.

PT Pamapersada currently provides mining works for 11 coal mining producers including coal firms PT Adaro and PT Kaltim Prima Coal. This year, the company expects to mine a total of 52 million tons of coal on behalf of its 11 coal clients, up from 42 million tons in 2006.

Indonesia is expected to produce 196 million tons of thermal coal this year with export seen at 147 million tons.

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