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POLITICS

Indonesia, China to boost defense cooperation

Indonesia and China are working on boosting their defence cooperation, the two countries said as China's defense minister Cao Gangchuan visited Jakarta, media reports said Wednesday (16/1/08).

Indonesian defense minister Juwono Sudarsono said he and Cao had looked at ways to bolster their ties, such as in military hardware manufacturing, the Detikcom online news service said.

Cao's visit is aimed at fleshing out a framework of agreement for a strategic partnership in the defence sector signed in Beijing in 2005, Sudarsono said.

Sudarsono said that cooperation could involve China assisting Indonesia's two strategic state enterprises -- PT Pindad, which produces weapons and other military equipment and the state shipbuilding firm PT PAL.

Cao is returning a visit by Sudarsono to China in November.

Indonesia condemns Israeli operations in Gaza

The Indonesian government has condemned the operations of Israeli troops in Gaza since January 16, leaving at least 24 Palestinians dead, Antara reported.

"Israeli military operations which are often launched in the Palestinian zone have caused the failure of efforts to bring about a conducive situation under the Annapolis settlement framework," Foreign Ministry spokesman Kristiarto Soeryo Legowo said Friday (18/1/08), in a reference to US-hosted talks last November.

Indonesia, he said, deplored the Israeli action and hoped that all the parties refrain in a bid to allow a return to dialogue.

Kristiarto expressed hope that the Annapolis conference would not only lead to a comprehensive peace process in the Middle East but also reactivate peace talks on the Golan Heights and South Lebanon.

Indonesia was preparing an Asia-Africa conference in an effort to raise the Palestinian capacity scheduled in the first quarter of 2008, he added.

Japan's Prince Akishino visits Indonesia

Japan's Prince Akishino and his wife Princess Kiko met with Indonesia's President Susilo Bambang Yudhoyono on Saturday (19/1/08) as they began a week-long visit to the country, Agence France-Presse reported.

Prince Akishino, Emperor Akihito's second son, was scheduled to attend celebrations marking 50 years of Indonesian-Japanese diplomatic relations in Jakarta on Sunday.

"The president appreciates the Emperor sending the prince because this is an honor for Indonesian-Japanese relations," presidential spokesman Dino Patti Djalal told reporters.

The prince will visit Yogyakarta and surrounding areas, meet Sultan Hamengku Buwono X and visit historic Prambanan and Borobudur temples, the Japanese embassy website said.

The 42-year-old prince will stay in the country until January 24.

TERRORISM

Terrorist recaptured

A convicted terrorist who escaped from a prison in Makassar, South Sulawesi on January 6 was recaptured in Gowa regency on Tuesday (15/1/08), Tempo Interaktif reported.

Wirahadi, 25, was sentenced to 19 years in jail for his role in the bombing of a Makassar McDonald's restaurant in 2002 in which three people were killed -- including one of the bombers -- and 15 people were injured.

Police caught the fugitive after being tipped-off by local residents in Sumallu hamlet, Tasese village, Gowa regency, who became suspicious when Wirahadi arrived in the area looking for a job, but had no identification.

Another inmate who escaped with Wirahadi, Marcus Vally Huwae, 20, who was serving a 15-year sentence for murder, is still at large.

REGIONS

Bali to host bird flu summit

Bali will host the Sixth International Bird Flu Summit later this year, Antara news agency reported on Friday (18/1/08).

Top leaders and key decision-makers of major companies representing a broad range of industries will meet with noted scientists, public health officials, law enforcers, and other experts to discuss pandemic prevention, preparedness, responses and recovery of bird flu at the summit, said the agency.

The summit, to be held on March 27-28, would draw on the successes of the five previous summits which featured Dr. David Nabarro, the UN Coordinator for Avian and Human Influenza, Alex Thiermann of the World Organization for Animal Health (OIE) and Dr. Wenqing Zhang of the WHO Epidemic and Pandemic Alert and Response, it said.

On top of the current bird-flu crisis, experts from the WHO warned on Saturday that Chikungunya, a severe achy-joint fever, could turn into an epidemic in Indonesia and spread to other countries in Asia.

The fever is rarely fatal but produces rashes, vomiting, headaches and joint pain so intense it is often too painful for victims to sit or stand. Cases have been detected in Singapore and Taiwan.

Kalimantan gets new military chief

Maj. Gen. Tono Suratman took up a new posting commander of the Tanjungpura Military Command overseeing Kalimantan on Wednesday (16/1/08), replacing Maj. Gen. George Robert Situmeang, *The Jakarta Post* reported.

His inauguration at military command headquarters in Balikpapan was attended by Army Chief of Staff Lt. Gen. Agustadi Sasongko Purnomo, Army Strategic Reserve commander Lt. Gen. George Toisuta and Armed Forces general affairs chief Lt. Gen. Edwin Sujono.

Purnomo asked Suratman to finish construction of a demarcation line between Indonesia and East Malaysia and help maintain political stability during the upcoming East Kalimantan gubernatorial election and other regency-level elections.

"The border areas are very susceptible to human trafficking, terrorism and smuggling and the military command should be prepared to handle emergency situations," said Purnomo.

Situmeang will become chief of the Udayana Military Command overseeing Bali, West and East Nusa Tenggara.

ECONOMY

Growth in 2007 at 6.3%: Minister

The economy is estimated to have grown 6.3% on year in 2007, and economic expansion this year will likely exceed that pace, Minister of Trade Mari Pangestu said Tuesday, Dow Jones reported.

"We hope that the economy will grow at a higher rate in 2008, powered by double-digit growth in the transportation and telecommunication sectors," the minister said.

She said the government is "highly unlikely" to raise fuel prices in the archipelago this year despite high global crude oil prices.

Elsewhere, Bank Indonesia Senior Deputy Governor Miranda Goeltom said Wednesday (16/1/08) that on-month inflation this month may again exceed 1%, Dow Jones reported.

"On historical base, on-month inflation in January is always high, and may be above 1%," Goeltom said.

She said the central bank is urging the government to maintain enough food supplies to help curb rising inflation.

In December, the on-month inflation rate was 1.1%, while the on-year rate was 6.59%.

Over the past week, the Indonesia shares index lost 219 points, or 7.7 percent, from its all-time high of 2,830.26 set on January 9.

The market was depressed by lingering concerns about the outlook for the United States economy and the prospect of a recession, Agence France-Presse quoted dealers as saying.

On policy issues, the central bank called for the establishment of a "policy bank," which would be crucial in providing faster access for long-term financing, especially for infrastructure projects, the *Post* reported.

Bank Indonesia (BI) governor Burhanuddin Abdullah said the establishment of such a bank was in line with the central bank's national banking industry consolidation and restructuring program.

"Infrastructure project constructions demand a large amount of funds, which cannot be covered solely by the state budget," Burhanuddin told a press conference Friday.

The banking sector currently provides mostly short-term funds, while infrastructure project constructions need long-term funds, pointing to the need for a development bank.

BUSINESS BRIEFS

MACROECONOMY

Govt. aims to raise Rp3T in bond auction

The finance ministry is aiming to raise Rp3 trillion (\$318.1 million) in a government bond auction next week, a senior official at the ministry said Tuesday (15/1/08), Reuters reported.

The ministry plans to sell bonds maturing in 2023 and 2038 in the auction.

The sale follows a successful \$2 billion dollar bond issue earlier in the month, that saw solid demand but the government was forced to pay a sizeable premium to reflect the risk aversion in Asian debt markets.

Indonesia attracted \$3.2 billion in orders for its 10-year and 30-year bonds on January 10 after agreeing to pay 3.06 percentage points and 3.29 percentage points over comparable US Treasuries respectively.

No concern over rupiah: central bank

The central bank is not concerned about the weakening of the rupiah as the fall is likely to be temporary, central bank deputy governor Budi Mulya said Friday (18/1/08), Reuters reported.

"The (rupiah) weakening is temporary, because there's pressure on the global stock market in the past few days due to the US recession," he said. "Regional currencies are weakening, only temporary, that should be noted."

Consumer confidence at 3-month low on prices

Consumer confidence index fell to a three-month low on concern fewer jobs and the possibility of higher food prices will erode incomes, a central bank survey said, Bloomberg reported Monday (14/1/08).

The index dropped to 99.1 last month from 101.3 in November, according to Bank Indonesia, which surveyed 4,350 households in 18 major Indonesian cities. A reading below 100 indicates pessimists outnumber optimists.

"The respondents' declining expectations over their business turnover and their expectations of losing their jobs" affected the index, the survey said. Consumers are also "predicting a price hike" in the next three months.

INVESTMENT

Companies must float 40% to win tax deal

The government has issued a decree granting a 5% tax cut to listed companies in which the investing public owns not less than a 40% stake, Thomson Financial reported Monday (14/1/08).

The corporate tax rate now ranges from 10% to 30%.

The decree took effect January 1, said Darmin Nasution, Director General for Tax at the Finance Ministry.

One company with more than a 40% free float is PT United Tractors, which is 58.45% owned by PT Astra International.

President Susilo Bambang Yudhoyono earlier said the tax incentive was aimed at encouraging more companies to go public.

Minister urges caution in market

Recent slumps in global stock markets triggered by fears that the US is slipping into recession should serve as a warning that investors in Indonesia must be cautious, Finance Minister Sri Mulyani Indrawati said Thursday (17/1/08), Thomson Financial reported.

"It is happening globally. People around the globe are facing turbulence, so we'd better be cautious," she said.

The Jakarta stock exchange's benchmark composite index has lost around 6% so far this year, after gaining 52% last year,

Indrawati said a slowdown in the US economy would not necessarily have a direct impact on the Indonesian economy, even though the US is the third-largest market for Indonesian non-oil-and-gas exports after Japan and the EU.

The government has said it is hoping demand from China and India will offset the expected weakening in demand from the US.

FDI in Batam up 56% in 2007

Foreign investment inflows to Batam Island in Riau Islands province last year jumped 56% to \$288.52 million from \$184.99 million a year earlier, the Batam Authority said in a statement on January 11, Asia Pulse reported.

In 2007, the government licensed 79 new foreign investment projects worth \$288.52 million and four foreign expansion projects worth \$10.33 million, bringing the total foreign investment on the island to \$298.86 million,

The foreign investment projects include the metals industry, shipbuilding industry, the contact lens industry, power supply, pipe industry, trade and service sectors.

In 2007, the government also licensed four domestic investment projects worth Rp1.92 trillion and one domestic expansion project worth Rp600 billion, it said.

However, one Singaporean company was reported to be ready to quit neighboring Bintan, *The Jakarta Post* reported.

Bintan deputy regent Mastur Taher said electronic company PT Escatec Lobam would cease operations permanently on January 31 and dismiss its 437 workers.

The reasons for the departures weren't specified. "Local authorities will look into why it is leaving ... (despite) incentives and facilities," Taher said.

Container terminal set for expansion

The Jakarta International Container Terminal (JICT) will expand its 72-hectare container yard by 12.4 hectares to increase its storage capacity by 57% to 55,000 ton equivalent units (TEUs), *The Jakarta Post* reported Thursday (17/1/08).

The terminal, at Tanjung Priok port in North Jakarta, will also procure handling equipment, build a road access to the Jakarta Outer Ring Road and create additional entry and exit gates for a total investment of \$150 million. Work is expected to start in March for completion in 2011.

President director Bambang Bhakti said that JICT was targeting to handle a total of two million TEUs this year from 1.8 million TEUs last year. "This means we are targeting to handle around 170,000 TEUs every month," he said.

JICT is a joint venture company owned 51% by Hutchinson Port Holdings and 49% by state-owned company PT Pelabuhan Indonesia (Pelindo) II and the maritime employees cooperative.

Up to 60% of import-export activities in the country are carried out through the Tanjung Priok port.

Ciputra to build \$747M Jakarta property project

Publicly listed property company PT Ciputra Property plans to invest Rp7 trillion (\$747.36 million) in an

integrated shopping mall, hotel and apartment project in Jakarta, Asia Pulse reported Wednesday (16/1/08).

Company president Candra Ciputra said the project, Ciputra World, is to be completed in 2010 and will be built in three phases.

The company hopes to post Rp750 billion (\$79.5 million) in revenues this year, up from Rp280 billion last year and Rp268.87 billion in 2006.

Meanwhile, two offshore subsidiaries of the Ciputra Group plan to launch initial public offerings (IPO) on the Singapore and Hong Kong Stock Exchanges in the second half of this year.

The fund from the share sales will be used to speed up construction of their projects, Ciputra development director Tulus Santosa said. The subsidiaries, which he did not name, would be seeking around \$500 million in proceeds.

E. Java fiber pipe factory for Taiwan's Zhenhua

Zhenhua Corp from Taiwan in cooperation with PT KTCI International Corp. will build a fiber pipe factory to cost \$40 million in East Java in the second quarter of this year, the newspaper *Investor Daily* reported Thursday (17/1/08).

The factory, to be built either in Purwodadi or Gresik, is expected to be operational early next year, the paper quoted KTCI president William Khoe as saying.

The factory, which will be 80% owned by the Taiwanese company, will have daily production of 900 meters of fiber pipes.

William said the first such factory in Indonesia will dispose of around 75% of its production on the domestic market and exports the remainder.

China's Chingluk takes over ailing Spotec Indonesia

China's Chingluk Co. Ltd has taken over shoemaker PT Spotec Indonesia, which earlier was reported to have collapsed, Asia Pulse reported Thursday (17/1/08).

Spotec resumed operation early this month under the new owner, said Eddy Widjanarko, chairman of the association of shoe makers (Aprisindo).

Widjanarko said Chingluk took over Spotec, which has six production lines with a total production capacity of 300,000 pairs of shoes a month, through a tender in the middle of last year.

PT Spotec, which produced Adidas and Reebok brands, stopped operation late in October 2006 after its ailing parent company PT Dong Joe Indonesia was abandoned by its Korean owners for unspecified reasons.

Last year, Indonesia's exports of shoes totaled 185 million pairs valued at \$1.5 billion, up from 176 million pairs valued at \$1.48 billion in 2006, Eddy said.

The government and Aprisindo are looking for investors to revitalize three other companies that have also collapsed, Widjanarko said.

STATE CONCERNS

Trade with Brazil doubles in four years

Trade between Indonesia and Brazil surpassed the billion-dollar mark in 2006 for the first time and bilateral trade between the countries had doubled during the last four years, *The Jakarta Post* reported Monday (14/1/08).

Brazilian Embassy minister counselor Miguel Torres said bilateral trade with Indonesia jumped to \$1.14 billion in 2006, a significant increase from \$856.97 million in 2005.

Bilateral trade also reached \$896.99 million in the first eight months of 2007 -- up 24.4% from \$721.05 million in the same period in 2006.

Indonesia's major exports to Brazil include textile yarn, natural rubber, cocoa, fixed vegetable fats, automatic data-processing equipment and automotive spare parts.

Torres said Brazil's major exports included iron ore and concentrate, animal feed, pulp and waste paper, sugar molasses, cotton, tobacco, aircraft equipment, special transport vehicles and tractors. Indonesian companies PT Djarum Kudus and Raja Garuda Mas group have investments in Brazil.

"We have huge economic potential from both sides. We have so many commonalities," Torres said.

Indonesia, India studying possible free-trade deal

The Indonesian and Indian governments are exploring the possibility of establishing free trade cooperation with the fixed target of increasing the value of their bilateral trade to \$10 billion by 2010, *Asia Pulse* reported Wednesday (16/1/08).

"We gave ourselves six months to complete a joint feasibility study (on the intended free-trade cooperation)," Indonesian Trade Minister Mari Pangestu said after a meeting with some 200 Indonesian and Indian business people in India Tuesday.

She said the joint feasibility study would be carried out as a follow up to an agreement reached by the two governments in 2005.

To achieve the target of boosting the bilateral trade value to \$10 billion, the two countries would have to intensify their trade promotion activities and remove tariff and non-tariff barriers, she said.

Meanwhile, ASEAN and India are also finalizing a free trade cooperation agreement with the relevant talks expected to be completed within the next few months.

"Talks on an ASEAN-India Free Trade Area are almost completed," she said.

SOEs

Krakatau Steel, Pertamina to go public without listing

Steel maker PT Krakatau Steel (KS) and oil and gas company PT Pertamina may go public this year without being listed on a stock exchange, an official said, *Asia Pulse* reported Friday (18/1/08).

A. Fuad Rahmany, chairman of the capital market watchdog Bapepam-LK, said the plan by the two state companies could come to reality after the issuance of a government regulation.

Marketing director of Krakatau Steel Irvan Kamal had earlier said KS could become a public company without being listed in a stock exchange this year. The company has said it is in talks on a possible private placement.

Semen Gresik 2007 cement sales creep up

PT Semen Gresik said Monday (14/1/08) that growth in domestic demand pushed up its 2007 cement sales by 1.1% on year to 16.94 million metric tons, Dow Jones reported.

Domestic sales rose 1.6% to 15.17 million tons, adding that exports fell 2.7% to 1.77 million tons, said the company.

Total national cement consumption rose 6.6% in 2007, driven by higher consumption outside Java, according to data released Thursday by the Association of Cement Producers, Agence France-Presse reported. Cement consumption rose to 34.17 million tons, it said.

Java, which is the country's main market, reported a 1.8% rise in cement consumption to 19.66 million tons, while consumption outside Java rose 14% to 14.51 million tons.

The data also showed that the country's cement exports grew 7.0% to 7.78 million tons in 2007.

Telkomsel says '07 revenue up nearly 24%

The country's largest mobile phone operator, PT Telkomsel, said Wednesday (16/1/08) its revenue increased nearly 24% in 2007, thanks to strong subscriber growth, Reuters reported.

In 2006, Telkomsel posted net operating revenue of Rp29.15 trillion (\$3.09 billion).

Telkomsel had 47.8 million users as of December and Suriahardja said the number of customers can reach 50 million by the end of this month after the company cut its prepaid tariffs.

Telkomsel's president director Kiskenda Suriahardja told reporters the company had decided to lift its capital spending this year to \$1.7 billion from \$1.5 billion as it seeks to expand its network quality and coverage.

The company is expected to see a minimum of \$750 million to help finance the capital spending, *The Jakarta Post* reported.

"The majority of the financing will be in the form of bank loans," Rinaldi Firmansyah, the president director of PT Telkom, Telkomsel's parent company, told reporters on Friday.

"We expect to gather about \$200 million to \$300 million through a combination of Medium Term Notes (MTN) and bonds," he added.

Telkom itself planned to spend around \$2.5 billion for capital spending this year, an increase of 25% over 2007, Reuters reported.

PT Telkom expects revenue to rise 15% this year due to robust growth in its cellular business, but will take a one-off charge of between Rp800 billion and Rp1 trillion (\$85-\$106 million) due to an early retirement plan.

Govt. to sell 40% of Adhi Karya via secondary offer

The government plans to sell a 40% stake in construction company PT Adhi Karya later this year, an official said Thursday (17/1/08), Dow Jones reported.

"The government plans to sell the stake through a secondary public offer," said Alex Rusli, an assistant to the Minister of State Enterprises Affairs.

He didn't say how much the government - which owns a 51% stake in Adhi Karya - will price the offer at.

The sale will be in line with a government plan to sell stakes in 37 state-owned companies in 2008 to help cover its budget deficit.

Meanwhile the announced it has signed a new contract valued at Rp440.29 billion (\$48.8 million) to build a new stadium in Surabaya, Asia Pulse reported.

WIKA to build pipe factory in Algeria

PT Wijaya Karya (WIKA) has been awarded a contract to build a pipe factory valued at Rp50 billion (\$5.5 million) in Algeria this year, Asia Pulse reported Tuesday (15/1/08).

The factory will be built in cooperation with a Japanese consortium led by Kojal and it is to be completed in a year, an official of the state-owned construction company said.

The official, who refused to be identified, said WIKA is building a number of infrastructure projects in Algeria including highways with 50 bridges and 10 underpasses at a total cost of Rp460 billion.

Earlier, WIKA director Slamet Maryono said the company is cooperating with Yongnam Holdings Ltd from Singapore to build a number of railway stations in Dubai valued at Rp200 billion.

WIKA is also cooperating with PT Inti Karya Persda to build 5,000 apartments in Libya.

Angkasa Pura posts increase in operating income

Operating income of state-owned airport operator PT Angkasa Pura II was estimated to reach Rp2.02 trillion (\$222.3 million) in 2007, up from Rp1.87 trillion in the previous year, Asia Pulse reported Thursday (17/1/08).

The company, which operates a number of major airports including Jakarta's Soekarno-Hatta Airport, has continued to report an increase in operating income in the past four years, its president Edie Haryoto told legislators in a meeting Tuesday.

Haryoto said Soekarno-Hatta, the country's largest airport, is being expanded with a third terminal to keep pace with passenger traffic, predicted to rise to 59.5 million in the next five years from 32 million in 2007.

The company also is building a new international airport in North Sumatra to replace Polonia airport in Medan.

PRIVATE SECTOR

Motorcycle sales rose 6% in 2007

Higher sales of Yamaha bikes helped push Indonesian motorcycle sales up by 6.0% in 2007, the producers' association said Thursday (17/1/08), Agence France-Presse reported.

The industry sold 4.69 million bikes last year -- compared to 4.43 million in 2006 -- despite declining sales for Honda, the country's most popular brand, Indonesian Motorcycle Industry Association (AISI) data showed.

Honda's market share dropped to 46% from 53%, with its sales falling to 2.14 million bikes from 2.34 million.

Honda bikes are made and distributed by PT Astra Honda Motor, a 50-50 joint venture between PT Astra International and Japan's Honda Motor Co.

Yamaha sales surged 25% to 1.83 million while the third place sales spot went to Suzuki, which saw its sales increase by 12% to 637,021.

Indonesia is the world's third-biggest motorcycle market after China and India.

Arpeni, Bakrieland, Malindo plan Q1 bond issues

Three companies said on Wednesday (16/1/08) they plan to raise a total of Rp1.55 trillion (\$164.1 million) via bond issues in the first quarter to support business expansion and repay debt, Reuters reported.

The largest proposed issuance is by shipping company PT Arpeni Pratama Ocean Line, which intends to offer Rp750 billion bonds in early March to repay debt and for working capital.

Arpeni has appointed PT DBS Vickers Securities Indonesia and CIMB-GK to handle the issuance.

Property company PT Bakrieland Development is planning to raise Rp500 billion to finance property projects and repay debt.

Danareksa Sekuritas, Bahana Securities, Recapital Securities and Madani Securities will assist in the bond issuance, which is due to be offered between February 22-26.

The third planned bond issuance is by feed mill company PT Malindo Feedmill, which will offer Rp300 billion in bonds between February 28-March 3 to build a new plant, acquire an affiliate company and finance working capital.

With the country's interest rate seen reaching its bottom, companies are trying to lock their long-term financing need at a lower borrowing cost.

Insurance firms make strong gains in 07

Life insurance companies recorded strong gains during 2007, with PT Bumiputera 1912 reporting a 26.6% jump in premium income, and PT Asuransi Sequis Life saw premium income grow by 36%.

Bumiputera recorded Rp4.22 trillion (\$468 million) in premium income last year, up 26.6% from Rp3.33 trillion in the previous year, Asia Pulse reported Tuesday (15/1/08).

Bumiputera president Soeseno Hario Saputro said the company paid Rp2.35 trillion in insurance claims last year, up 15% from Rp2.03 trillion in the previous year.

PT Asuransi Sequis Life recorded Rp1.1 trillion in premium income last year and wants to push the figure as high as Rp2 trillion this year, Asia Pulse reported.

Company president Tatang Widjaja said the company will increase the capacity of sales agents in regions such as North Sumatra, West Java and East Kalimantan.

Meanwhile PT Sinarmas Multiartha said it overshot its net profit target of Rp200 billion (\$22.2 million) for 2007 by at least 200% in 2007.

The corporation, which has 24 subsidiaries operating mostly in the financial sector and including insurance company PT Asuransi Sinarmas, recorded Rp586.6 billion in consolidated net profit, its president Edward H. Hadidjaja said. In 2006, the company posted Rp175.6 billion in net profit.

Sinar Mas eyes paper pulp plants in North America

Pulp and paper maker PT Pindo Deli, a subsidiary of the Sinar Mas Group, is eyeing three paper pulp factories of Pope & Talbot Inc. in Canada offered at a price of \$225 million including debts, Asia Pulse

reported Monday (14/1/08).

The three factories are located in Nanaimo and Mackenzie in British Columbia and Halsey in Oregon in the US, Pindo Deli director Suhendra Wiradinata said.

Wiradinata said the acquisition would need approval by the Canadian and US courts and no progress could be made until February. In the meantime, Pope & Talbot is also offering the factories to other investors.

Truba Jaya to sell 3.2 Billion shares in February IPO

Engineering company PT Truba Jaya Engineering said Monday (14/1/08) it will sell 3.2 billion shares, equivalent to 21.1% of its enlarged capital, in an initial public offering next month, Thomson Financial reported.

The offer is slated for February 18-20 and the shares will be listed on the Indonesian Stock Exchange on February 26. The company has yet to fix the IPO price.

Truba Jaya said 75% of the IPO proceeds will be used to finance project construction, with the rest to be used to strengthen its capital.

Truba Jaya has appointed PT Danatama Makmur as underwriter for the share sale.

In the first nine months of 2007, Truba Jaya made net profit of Rp21.66 billion on sales of Rp750.85 billion.

For 2006, the company booked net profit of Rp23.10 billion, compared to Rp22.46 billion in 2005, as sales declined to Rp829.76 billion from Rp1.25 trillion.

Lautan Luas expands operations to Vietnam

Manufacturing and distribution company PT Lautan Luas will establish a new company to expand its operations to Vietnam, Asia Pulse reported Wednesday (16/1/08).

Joshua Chandraputra, a director of Lautan Luas, said the new company would be based in the Tan Uyen district of Binh Duong province and would be wholly owned by Singapore subsidiary Lautan Luas Singapore Pte Ltd.

The company will start operation with a capital of \$1.6 million, Chandraputra said in a report to the Indonesian Stock Exchange.

Earlier Lautan Luas Singapore established an ammonia manufacturing company, Hongze Jin Qilin, in China. The company is also seeking to establish a base in Thailand.

Eagle Air to start operation in June

Eagle Air, a new airline owned by the Bhakti Investama group, is scheduled to start operation in June 2008 after it secures a license from the Transport Ministry, Asia Pulse reported Thursday (17/1/08).

Air Transport Director General Budhi Muliawan Suyitno said Eagle Air is only waiting for an Air Operator Certificate.

"Eagle Air will operate as a full service airline like the nation's flag carrier Garuda Indonesia, making it the only private airline in the country to adopt the full service concept", Suyitno said.

The country's largest private airline, Lion Air, which is the first airline to use the low cost carrier concept, said earlier it planned to operate as a full service airline using its new Boeing 737-900ER aircraft.

Hotel Sahid Jaya plans offering to raise \$85M

Publicly listed hotel company PT Hotel Sahid Jaya said it has named PT Danareksa Sekuritas as the underwriter for a secondary public offering (SPO) it plans to launch in the first half of this year, Asia Pulse reported Thursday (17/1/08).

Sahid hopes to raise Rp800 billion (\$84.8 million) from the SPO to finance a number of property projects, its president Indo Juwono said.

The Sahid Group will build 50-floor tower housing a mall, hotel and apartment suites behind Hotel Sahid in Jakarta, Juwono said.

He said Sahid will likely cancel its dual listing plan for 40% of its shares on the Singapore Stock Exchange.

Lion to buy more Boeings for expansion

Rusdi Kirana, Lion Air's president director, said it planned to buy more Boeing 737-900 series jets to support its regional expansion to a number of countries, including Australia, Reuters reported.

The purchase would be in addition to 122 jets of the same type that the company had previously ordered from Boeing.

"We are planning to expand to other countries in the region. The previous order was not enough," Kirana said. He declined to disclose the number of additional jets the firm planned to buy or the value of the deal.

"I cannot give the numbers for now. The deal will be signed in February during the Singapore Airshow," he added.

Lion Air recently ordered an additional 22 Boeing Co 737-900 series planes as part of its expansion plans, lifting its total orders at the US firm to 122 jets, with a total list price of \$7 billion.

Finance, water firms plan \$250M bonds

Four firms said on Thursday (17/1/08) they plan to raise a total of Rp2.35 trillion (\$249.5 million) through bond issues in the first quarter amid lower domestic interest rates, Reuters reported.

The four include two automotive firms, PT Bussan Auto Finance and PT BFI Finance Indonesia, as well as water supply firms PT Thames Pam Jaya and lender PT Bank NISP.

PT Bussan Auto Finance said in a statement it plans to raise Rp500 billion worth of bonds, consisting of 24- and 36-month debt, with the proceeds to be used to expand its consumer financing. The bonds will be offered January 21 to February 6.

PT Standard Chartered Securities Indonesia and PT DBS Vickers Securities Indonesia were appointed as the lead underwriters.

PT BFI Finance Indonesia aims to raise Rp500 billion worth of 3-year bonds to fund its consumer financing needs. The bonds will be offered March 4 to 6.

The lead underwriters are PT Danareksa Sekuritas, PT Optima Kharya Capital Securities, PT Investindo Nusantara Sekuritas.

PT Thames Pam Jaya (TPJ) intends to raise Rp750 billion via bonds issue in three series with three-, five- and seven-year maturities. The proceeds will partly be used to repay debt and for working capital. The offering period is February 14 to 15.

PT Mandiri Sekuritas and PT Recapital Securities were selected to be the lead underwriters.

Lender PT Bank NISP plans to raise Rp600 billion worth of 10-year bonds to strengthen its capital base and expand loans. The bonds will be offered January 31 to February 12.

PT CIMB-GK Securities Indonesia, PT Standard Chartered Securities Indonesia and PT NISP Sekuritas are the lead underwriters.

BANKS

Govt. to offer 10% of BNI to five regional banks

The government will offer 10% of the shares of state owned Bank Negara Indonesia (BNI) to five regional banks, an official said, Asia Pulse reported Wednesday (16/1/08).

The involvement of new investors is expected to improve corporate governance of the country's third largest lender in asset, State Minister for State Enterprises Sofyan Djalil said.

The International Finance Corp, a subsidiary of the World Bank, is said to be one of the investors having indicated interest in the stake.

The prospective investor must have a good track record, Djalil said, adding there are five banks considered meeting the criteria.

Holding co to be established for state banks

The government will establish a holding company for state banks before the single presence policy of Bank Indonesia becomes effective in 2010, State Minister for State Enterprises Sofyan Djalil said, Asia Pulse reported Thursday (17/1/08).

The central bank's single presence policy does not allow an investor to have a controlling stake in more than one bank. Multiple owners were given until the end of last year to decide how to address the new ruling.

They may establish a holding company for their banks, merge their banks or divest their shares in one of the banks.

The government has four banks - Bank Mandiri (67%), Bank Rakyat Indonesia (56%), Bank Negara Indonesia (76%) and Bank Tabungan Negara (100%).

Djalil said the government hopes to establish a new company in 2009 to serve as the holding company for the banks, which control assets valued at Rp643.16 trillion (\$68.174 billion) or 34.53% of the total bank assets in the country.

14 local banks to fund toll road construction

A consortium of 14 local banks and financial investors will provide Rp5.74 trillion (\$610 million) to finance the construction of a 21-km toll road planned by the Jakarta administration to ease traffic congestion in the capital, Antara reported Thursday (17/1/08).

The head of toll road regulator BPJT, Hisnu Pawenang, said the road would stretch from Bekasi in West Java to Cawang and Kampung Melayu in East Jakarta.

Some Rp1.72 trillion of the funds will come from construction company Kresna Kusuma Dyandra Marga,

with the remaining Rp4.02 trillion provided by 14 local banks and AAA securities firm.

The banks include nationwide lenders Bank Negara Indonesia (BNI), Bank Rakyat Indonesia and Bank Bukopin, and regional lenders Bank Jabar, Bank Jatim, Bank Jateng, BPD Kaltim, Bank DKI, BPD Sumsel, BPD Papua, Bank Nagari, BPDB Sumut, BPD Aceh and BPD Kalsel.

BNI has been appointed as lead arranger for the syndication. BNI president director Sigit Pramono said the syndicated loan would have a maturity period of 12 years. The project is slated for completion in 2011.

Bank Mandiri to buy multifinance company

The country's largest lender PT Bank Mandiri will set aside Rp1 trillion (\$111 million) to acquire a multifinance company this year, Asia Pulse reported Tuesday (15/1/08).

Due diligence studies are being made of four multifinance companies, a director of the state-owned bank Omar S. Anwar said.

Anwar said in the next two years Bank Mandiri plans to acquire banks and multifinance companies.

With capital of Rp27 trillion and CAR of 26%, the bank is in a good position to acquire a major multifinance company with capital of up to Rp1 trillion, he said.

The multifinance company the bank wants to acquire has business ties with car and motorcycle dealers, he said without providing a name for the target.

Mandiri a day later stated that it will control 80% of small-sized Bank Sinar and use the bank as a vehicle to serve the country's small business.

Bank Mandiri and Bali-based Bank Sinar signed a conditional sale and purchase agreement on December 3, Thomson Financial reported. No value was given for the acquisition but following completion, Bank Mandiri will inject Rp80 billion into Bank Sinar, raising its capital base to Rp100 billion.

After the capital injection, Bank Mandiri will control 80% of Bank Sinar, with the remaining 20% to be held by former Bank Sinar shareholders, a statement said.

POWER

Contract signed for 120 MW plant

State electricity firm PT PLN has signed an agreement with a consortium including China National Heavy Machinery Corp and Shandong Electric Power to build a \$132 million coal-fired power plant, PLN said on Monday (14/1/08), Reuters reported.

"This plant will need 600,000 tons of coal annually. The construction of the plant is expected to be completed by 2010," PLN's acting power plant director, Fahmi Mochtar, said. The 120 MW plant will be built in Central Kalimantan.

PLN president director Eddie Widiono said Monday it had secured loans for the construction of five coal-fired power plants to be built under the government's 10,000 MW 'crash' program, *The Jakarta Post* reported.

Financial packages would be signed with six banks in February. Widiono said the loans would cover 40%, or about \$1.9 billion, of the capital needed for the project.

The government targets adding 10,000 MW of power supply to the nation's power grid by 2009, with a total investment of Rp45 trillion (\$4.8 billion).

The plants to be built are at Rembang in Central Java, Indramayu in West Java, the Labuan plant in Banten, the Paiton Baru plant in East Java and the new Suralaya plant in Banten.

Another four coal-fired power plants to be built later are the Pacitan plant in East Java, the Pelabuhan Ratu plan in West Java, the Teluk Naga plant in Banten and the Tanjung Awar-awar plant in East Java.

OIL & GAS

Pertamina to lift investment by 50%

State oil and gas firm, Pertamina, aims to lift investment by 50% to Rp21 trillion (\$2.2 billion) this year to boost crude output and upgrade refineries, its president said on Thursday (17/1/08), Reuters reported.

"Some of the investment in 2008 will be financed from loans and the rest from the internal resources of Pertamina," Ari Soemarno said.

He said that the spending would be split between Rp13 trillion on upstream activities and Rp8 trillion for downstream.

Last year, Pertamina's investment was estimated at Rp14 trillion, including Rp10 trillion on upstream.

Suroso Atmomartoyo, Pertamina's processing director, said around \$300 million would be spent to upgrade its Balongan refinery, which has a capacity of 125,000 barrels per day.

The refinery supplies oil products to densely populated West Java province, including the capital Jakarta.

The company had said it planned to spend Rp4 trillion this year to develop the Cepu block, which it operates jointly with ExxonMobil Corp .

Soemarno said Thursday that Pertamina may have booked Rp23 trillion (around \$2.5 billion) in net profit in 2007, on the back of high crude oil prices and the company's efficiency programs, *The Jakarta Post* reported.

The official financial report will be formally issued on January 30, when the company is scheduled to hold its annual shareholders' meeting.

The figure, which represents an 8.5% rise from the Rp21.2 trillion it posted in 2006, would be the biggest net profit ever posted by an Indonesian company.

"This is a windfall profit, resulting from a surge in global oil prices and also due to good results coming from our efficiency programs," Soemarno said.

Serica Energy in deal on Kambuna gas

Serica Energy announced Wednesday (16/1/08) that the terms of a sale of gas from the Kambuna Field offshore North Sumatra have been agreed, Dow Jones reported.

The majority of the gas from the Kambuna Field will be sold to the state power utility PT PLN at an initial price of \$4.50 per million Btu escalating at 3% per year.

The gas will be delivered to Pangkalan Brandan and then transported to PLN's Belawan power station near Medan, North Sumatra, via the existing gas transmission network.

The remainder of the gas will be sold at an equal or higher price to an industrial customer through an auction process, with bids due in early February.

In addition to the gas, Serica will initially be marketing 4,000-5,000 barrels per day of condensate at a price close to that of crude oil.

Serica is the operator of the Kambuna Field and holds an interest of 65% in the project.

Serica CEO Paul Ellis said the gas supply would help meet demand for power in Medan, the North Sumatra capital that currently suffers regular rolling black-outs, as well as demand from industry.

EMP raises oil output by 800 bpd

The country's second largest oil and gas producer, Energi Mega Persada (EMP), said Thursday (18/1/08) it was producing an additional 800 barrels per day (bpd) of oil from its development wells, *The Jakarta Post* reported.

A company release said it found the additional oil in the DC-8 and DC-9 wells in the Malacca Strait block in Sumatra this January.

The new discovery will raise the block's oil production to 9,500 bpd.

In 2007, the company produced 11,000 barrels of oil per day and 80 million cubic feet of gas.

Medco, Gulf in talks to develop gas in Algeria

PT Medco Energi Internasional is in talks with Qatar's Gulf Petroleum Ltd. to develop a natural gas block in Algeria, an official at Medco said, Wednesday (16/1/08), Bloomberg reported.

The area may be able to produce 300 million cubic feet of natural gas a day, Rashid Mangunkusumo, director for corporate growth at Medco, said.

Medco, Indonesia's biggest publicly traded oil company, is expanding overseas and already has operations in the US.

Algeria is stepping up exploration in a bid to raise annual gas exports 31% to 85 billion cubic meters by the end of the decade.

Medco may build a phosphate plant in neighboring Morocco to make use of the gas, Mangunkusumo said.

The facility may cost \$300 million with a capacity of 400,000 metric tons a year.

Medco may join PT Bosowa Investama and a Moroccan state company in building the phosphate plant and ship the output to Indonesian fertilizer plants, Mangunkusumo said.

MINING

Bumi bids for 50% stake in \$1.3B coal project

The nation's biggest coal producer, PT Bumi Resources, is eyeing a 50% stake in the country's first coal liquefaction project, which will involve a total investment of \$1.3 billion, according to an official quoted by *The Jakarta Post* on Thursday (17/1/08).

Nenny Sri Utami, head of research and energy development agency at the energy and mineral resources ministry, said that Bumi had sent a letter to her office confirming its interest in obtaining half the project's shares.

"The letter states its interests in developing the project's next phase, which is a commercial one," Utami said.

The on-going phase of the project, which the government calls semi-commercial, is run by a consortium made up of local coal producers, including Bumi. Some of the funding for the first stage of the project will come from a grant from the Japan Bank International Cooperation (JBIC).

The consortium has been conducting a feasibility study since August which is expected to be completed soon.

The project will have an initial capacity of 13,500 barrels per day and be followed by a purely commercial plant, doubling capacity after additional investment of \$800 million.

United Tractors to buy Tuah Turangga mine

PT United Tractors (UT), the heavy equipment unit of PT Astra International, is planning to acquire 93.3% of mining company PT Tuah Turangga Agung for \$115.57 million, the company said Monday (7/1/08), Thomson Financial reported.

UT director Gidion Hasan said his company signed a conditional agreement on the stake purchase with Tuah Turangga last January 7.

Tuah Turangga holds a 30-year work contract from the government to exploit coal in Kalimantan. It is estimated to have 40 million tons of coal reserves.

Meanwhile state-owned tin mining company PT Tambang Timah said it also wants to buy into the coal mining sector, and will set aside Rp2 trillion (\$222 million) to acquire high calorie coal mines in Kalimantan and Sumatra, Asia Pulse reported.

The company wants to increase its coal reserve from 10 million tons to 60 million tons, its president Wachid Usman said.

PT Timah has established a subsidiary, PT Tanjung Alam Jaya, to operate coal mines in South Kalimantan with reserves of 10 million tons.

Last year, PT Tanjung produced 1.4 million tons to be increased to 1.8 million tons this year, Wachid said.

Itochu, miners to build \$1B Kalimantan rail track

PT Itochu Indonesia, a subsidiary of Japan's trading house Itochu Corp. said it will team up with major coal mining companies to build a 200-km rail track in Central Kalimantan with an investment of \$1 billion, Asia Pulse reported Tuesday (16/1/08).

BHP Billiton, Rio Tinto, Medco Tulip Tura Group and Brazil's Companhia Vale do Rio Doce have agreed to take part in the project, Yasuo Ichimura, president of Itochu Indonesia said.

The announcement followed earlier reports that Itochu was conducting a feasibility study on the plan.

The track, to be built in the regencies of Barito Utara and Kapuas lining Muara Teweh and Buntuk, will facilitate coal transport in an area where there have been protests over damage to roads from coal trucks.

Ichimura said transport facility is in poor condition, discouraging investors in the area, known to have large reserves of high quality coal.

He said Itochu expects the project to be operational in the first half of 2009. The regional administration will have a 30% stake in the project.

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