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## POLITICS

### Suharto dies at 86

Former president Suharto died from multiple organ failure on Sunday (27/1/08) at the hospital where he was admitted on January 4. He was 86.

Suharto's six children had gathered at his bedside at Pertamina Hospital since early morning, one of his close aides said.

Suharto suffered his first multiple organ failure a week after he was admitted to hospital with heart, lung and kidney problems, but had rallied in recent days, with doctors surprised at his ability to recover.

Suharto, who was among Asia's strongmen of the 20th century, stepped down in 1998 amid riots and mass pro-democracy protests that were sparked by the 1997 Asian economic crisis.

After leaving office he dropped out of public view and avoided criminal trial for massive corruption allegations by citing poor health. Doctors have said two strokes left him with some permanent brain damage.

President Susilo Bambang Yudhoyono announced seven days of national mourning. The President, on behalf of the government and Indonesian people, expressed deep condolences on the death of Soeharto. Yudhoyono also called on people across the country to show their respect for Soeharto, given his "great contributions to the state". He also asked people to fly the Indonesian flag at half-mast during the seven-day mourning period.

### 20 years for Munir murder

The Supreme Court sentenced a former pilot to 20 years in prison on Friday (25/1/08) for the murder of leading rights activist Munir Said Thalib.

Pollycarpus Priyanto, a former pilot, was found guilty of poisoning the outspoken Munir with arsenic while traveling on the airline in 2004 from Jakarta to Amsterdam via Singapore, court spokesman Nurhadi said, Agence France-Presse reported.

"Pollycarpus has been proven legally and without a doubt to have committed a premeditated murder and letter forgery," Nurhadi said.

The sentence follows an appeal by prosecutors against the earlier Supreme Court acquittal of Priyanto.

Munir, who died at the age of 38, provided legal counsel for victims of officially sanctioned violence during former president Suharto's authoritarian 32-year rule.

Judge Djoko Sarwoko said the sentence was "based on new evidence following the case review filed by the Attorney General" and that there "was no dissenting opinion from the panel of five judges."

Sarwoko said new evidence considered by the court included the testimony of Raymond Latuihamalo, who saw Pollycarpus carrying two glasses and sitting with Munir at Singapore's Changi Airport.

The judge said expert witnesses convinced the court that Munir was poisoned eight to nine hours before dying on the Singapore-Amsterdam leg of the flight.

### Commission on Constitutional Revisions

A commission is to be established to consider revisions to the Constitution, President Susilo Bambang Yudhoyono said Friday (25/1/08), *Kompas* reported.

At a press conference with Ginandjar Kartasasmita, head of the Regional Representatives Council (DPD), Yudhoyono said the commission would be composed of independent experts on constitutional law, and would not include political interests.

"It is unreasonable for us not to respond in a constructive way to the aspirations of many sides," said the president, adding that it was hoped that any changes to the Constitution could be implemented along with the new government at the end of 2009.

The aim of the commission would be to examine means of perfecting the constitution and the government would involve other institutions in order that there should be no misunderstandings.

Kartasasmita said the DPD would not have a role in the proposed commission but would be able to put its point of view as part of a consultative process.

"We will let the commission work objectively and fully so that if there are amendments, no more will be required after that," he said.

## **NU to stop radical teachings**

Indonesia's biggest Muslim organization Nahdlatul Ulama (NU) vowed on Friday (25/1/08) to stop the spread of incorrect teaching of Islam, which could trigger radicalism and spark terrorism, chairman Hasyim Muzadi said, Xinhua reported.

Among incorrect teaching was hatred of the West and encouragement of retaliation through jihad in the form of attacks or suicide bombings targeting Western people or interests.

The more-than 40-millions followers Nahdlatul Ulama had the capacity to oppose the terrorist movement at the grassroots, said Muzadi.

"The Nahdlatul Ulama has a capacity to halt it (the spread of terrorism). The NU has an obligation to stop it. The (NU followers) at the grassroots can be used to stop it," he told a press conference after meeting with President Susilo Bambang Yudhoyono at the State Palace.

The chairman of the NU said that tens of millions of members of the organization would be a bastion against the spread of wrongful deliberation of Islam by terrorists.

## **State Secretary backs independent candidates**

Individual candidates in regional elections should not be viewed as something that will distort the existence of political parties, State Secretary Hatta Radjasa said on Wednesday (23/1/08), in a comment seen as demonstrating government support for independent candidates, Antara reported.

The Constitutional Court ruled last year that independent candidates should be allowed to stand in local elections.

"The emergence of individual candidates should be viewed as a logical feature of democracy," Radjasa told a seminar in Jakarta.

He said the idea of allowing individual candidates to contest elections should be considered part of the search for capable national leaders.

The proposal to let individual candidates run in elections could be also seen as a challenge to the existing political parties to produce qualified leaders in the future, he added.

"We need modern political parties that are able to produce leaders who serve as examples at both national and regional levels," he said.

## Thailand peace activists meet with Muhammadiyah

Several members of Thailand's Advisory Council for Peace Building in the Southern Border Provinces met recently with Islamic organization Muhammadiyah, in a step toward bringing peace to the Thai border province conflict.

"This is an alternative approach to solving the problem," council chairman Aziz Benhawan told *The Jakarta Post* after the meeting with Muhammadiyah members and leaders Wednesday (23/1/08) at the group's Jakarta headquarters.

"We have gained new ideas for the people of southern Thailand, from Muhammadiyah," he said.

Benhawan said that he believed the expertise of Muhammadiyah, Indonesia's second largest Muslim organization with some 30 million members, could help the council resolve the southern Thailand problem.

"With Muhammadiyah and groups of influential ulemas, Thais can exchange ideas to jointly make peace agreements. Together we can make a difference but alone we would never reach an understanding," Benhawan said.

Muhammadiyah chairman Din Syamsuddin said his organization was ready and able to help in the peace process. He said the conflict had to be resolved with 'soft power', since 'hard power' had resulted in the destructive unrest and huge number of daily casualties.

"A militaristic approach will never resolve anything. Utilizing soft power means developing the human resources of those five provinces on the southern border of Thailand," he said.

## REGIONS

### Formation of new provinces on hold

President Susilo Bambang Yudhoyono and the Regional Representatives Council (DPD) have agreed the establishment of new provinces and new regions should wait at least a few months while the government evaluates whether the new regions would be of benefit to the local people.

After a meeting with the DPD at the State Palace on Friday (25/1/08), the president said it was not necessary for the House of Representatives to endorse bills on the formation of new regions for the time being, according to a report in *The Jakarta Post*.

"We need to formulate a master plan, including determining the exact timeframe to allow the formation of new regions, also by synchronizing with the schedule of the 2009 general election," Yudhoyono said.

DPD chairman Ginanjar Kartasasmita said new provinces and regencies should not be established before the upcoming election was completed.

The House unanimously proposed an initiative to create eight new provinces and 13 new regencies during a plenary meeting earlier this week. Most of the new provinces would be located in Papua and Aceh.

The initiative has sparked widespread criticism outside the House with many saying the formation of new provinces is misguided, dangerous and not in the best interests of the people.

## Govt. to fund water quality control for regencies

The government has allocated Rp351 billion for water quality control in municipalities and regencies across the country to help them address problems of river pollution and water scarcity.

"Some 450 municipalities and regencies will receive the special budget in different amounts, depending on the level of need in each area," Environment Minister Rachmat Witoelar told reporters Wednesday after opening a one-day workshop to familiarize civil servants with the budget's spending guidelines.

He said water quality had become his major concern because water pollution, water shortages and floods were common environmental problems faced by almost all municipalities and regencies, according to a report in *The Jakarta Post*.

## ECONOMY

### Government plans for US downturn

The government is planning for a possible global downturn as a result of a US recession, while the capital markets recovered following a turbulent week on international markets which saw calm restored by a sharp reduction in the US Fed rate.

Ministers said Wednesday (23/1/08) that the target of growth of around 6.8% this year would be affected by any global recession triggered by a strong US downturn, Dow Jones Newswires reported.

Finance Minister Sri Mulyani Indrawati said that in the event of a recession, Bank Indonesia would be required to formulate new monetary policies, while the government would attempt to cut import tariffs and give subsidies to local businesses in order to maintain growth.

Indrawati said the government would also guard against inflation in the event of a recession.

She added that the US economy is showing "quite serious" signs indicating a recession may be ahead.

"It is obvious the threat of a global recession would affect those economic growth projections," she said.

Indrawati said the government has identified several key tactics that would best deal with the effect of a global recession on the domestic economy.

"What we have identified are fiscal policy, the reduction of import tariffs, giving subsidies and incentives (to companies) so that companies don't feel burdened, (and) stabilization of commodities prices so that the community maintains its purchasing power," she said.

Bank Indonesia said there was no sign of significant capital flight as a result of a slump in share prices at the beginning of the week, Asia Pulse reported Friday (25/1/08).

Foreign funds invested in Bank Indonesia certificate (SBI) fell only around Rp150 billion (\$16.5 million), Deputy Governor of the central bank Budi Mulya said.

At Wednesday's auction, foreign funds in SBI totaled Rp24.44 trillion of the total amount of Rp312.79 trillion invested in SBI.

Meanwhile, foreign funds invested in state bonds reached Rp77.29 trillion of the total of Rp473.57 trillion placed in the government bonds.

The central bank said earlier it was 'closely monitoring' the foreign exchange market given the turbulence in global equity markets, Thomson Financial reported.

"Bank Indonesia is staying in the forex market," Mulya said. "The central bank is on full alert monitoring [the] negative impact of the current turbulence in the (equity) market."

"The main task of the central bank and the government now is to minimize the negative impact of the global market turbulence on Indonesia's economy," Mulya said.

Away from the threat of an economic recession, the government was considering the introduction of tax incentives for certain industrial sectors in order to attract more investment and spur economic growth, Reuters reported.

Eddy Putra Irawadi, deputy minister for industry and trade in the coordinating economics ministry, said the 29 industries which may be eligible include pulp and paper, oil and gas, palm oil, agro business, toll roads, electronic manufacturing, minerals, chemicals, power plants, and cement.

"The industries which are likely to get the incentives are those which absorb a large number of workers. We want these industries to grow faster so that they can contribute to the economy," Irawadi said. "We are now drafting the policy to improve these industries."

On the Indonesia Stock Exchange, share prices tumbled by close to 15% in the first two trading days but then recovered over the rest of the week after the Fed rate cut.

For the week, the index was up 0.4%, with the Jakarta composite index on 2,620.49.

The rupiah was trading at 9,330/9,335 to the dollar, also returning to earlier levels after hitting 9,500 to the dollar at the height of the concern over a US recession.

## **BUSINESS BRIEFS**

### **MACROECONOMY**

#### **Govt. sees '08 inflation within target**

The government is optimistic inflation will remain within its 4-6% forecast this year because of measures to mitigate pressure from rising food prices, the chief economics minister said on Tuesday (22/1/08), Reuters reported.

Boediono said the government is ready to take all the necessary steps to stabilize food prices, including lowering taxes and opening up tightly-regulated markets for some commodities.

"The core issue here is that food prices must be kept stable by any measure necessary, including scrapping tax and freeing up markets," he said.

Food prices have a large weighting in the consumer price index in Indonesia, with raw and processed food accounting for around 40% of the index.

"The most important thing is that we keep prices stable, prevent them from rising sharply. I am optimistic we are on track to meet our 2008 inflation (target)," he said.

Indonesia is a major importer of food crops such as wheat, soybean and rice, as domestic production is often insufficient to meet jumps in demand when there is a disruption in local production due to floods or drought.

## Govt. raises Rp2.3T in bond auction

The finance ministry raised Rp2.3 trillion (\$242.4 million) from an auction of 15-year and 30-year treasury bonds on Tuesday (22/1/08), below its target of Rp3 trillion, Reuters reported.

The treasury bonds coded FR0046, which mature on July 15, 2023, were priced to yield 10.55% with a bid-to-cover ratio of 2.02.

The FR0050 treasury bonds, which mature on July 15, 2038, were priced to yield 10.81% with a bid-to-cover ratio of 1.21.

"They (the government) must have been very cautious .... The government did not absorb all the incoming bids. They only took Rp2.3 trillion out of Rp3.6 trillion worth of incoming bids," said bond analyst Handy Yuniarto of Mandiri Sekuritas.

"The government doesn't seem to be worried about achieving their bond issuance target for this year, which is quite high."

The government aims to raise Rp91.6 trillion from net bond issuances in 2008, the finance ministry said.

## INVESTMENT

### GTS to invest \$1.83B to set up Eagle Air

PT Global Transport Services (GTS), a subsidiary of PT Bhakti Investama, said it will invest \$1.83 billion to establish airline unit Eagle Air to operate as a full service carrier, Asia Pulse reported Friday (25/1/08).

GTS President Hartono Tanoesoedibjo said the fund will be used for the leasing of 41 units of aircraft consisting of 25 Bombardier CRJ900 and 16 Boeing 737-800NG.

The aircraft will be delivered in phases starting this year with two aircraft until 2014, Tanoesoedibjo said.

He said Eagle Air will start operation toward the end of this year after the arrival of two units of aircraft -- CRJ900 aircraft and a middle range B737-800NG expected in September or October.

Meanwhile PT Indonesia Air Transport is considering issuing a rights issue worth \$255 million this year or early next year to buy new aircraft, Asia Pulse reported Friday (25/1/08).

The funds from the rights issue will be used in phases to buy 10 new aircraft and five used planes, finance director Krisman Tardigan said.

The airline, now serving chartered flights and waiting for a license from the government to serve regular flights, will focus on services to the regions especially eastern parts of the country, Tarigan said.

The company already has six aircraft bought last year to provide regular flights bringing the number of its aircraft to 22 units, of which 16 units have been leased out, including three helicopters to a West Natuna oil consortium.

### Hyundai to invest \$40M in truck plant

South Korean auto-maker Hyundai Motor Co. plans to invest \$40 million in its truck and bus assembly plant in Indonesia, local reports said Friday (25/1/08), Xinhua reported.

The investment will go to local subsidiary PT Korindo Heavy Industry which manufactures bus and truck chassis with a capacity of 10,000 truck chassis and 1,500 bus chassis a year.

Hyundai has sold 1,132 buses since its debut in the Indonesian heavy vehicle market in June 2007.

## World's largest organic fertilizer plant for W. Kalimantan

The world's largest organic fertilizer plant with a production capacity of 300,000 tons per year is expected to begin operating in West Kalimantan in the middle of this year, a local agricultural official said, Antara reported Monday (21/1/08).

"The plant is scheduled to become operational in the middle of this year after its raw-material-processing machines have been installed in June," the head of the West Kalimantan provincial agriculture office, Mazairin, said.

A similar plant in China is able to produce 50,000 to 60,000 tons of organic fertilizer per year while another one, operated by PT Petrokimia Gresik in East Java, is only able to produce 12,000 tons per year, he said.

Mazairin said the output of 300,000 tons would be reached in stages from an initial production level of 30,000 tons per year.

The main raw material in the production process would be chicken droppings and other substances, including lime.

He said the plant's construction was in line with a national program to increase domestic organic fertilizer production capacity and at the same time improve the structure of the soil.

## Lombok begins construction of int'l airport

West Nusa Tenggara Governor HL Serinata laid a foundation stone on January 19 to officially commence construction work on the Lombok International Airport, *The Jakarta Post* reported.

The new airport will be located in Tanak Awu village, Central Lombok Regency, around 35 km from Mataram.

Serinata said he hoped the establishment and operation of a new airport would connect people directly to strategic international businesses.

The international airport is to be built at a cost of Rp150 billion (\$16.6 million) and is expected to open in 2010.

### STATE CONCERNS

## Food import duties scrapped

The government on Monday (21/1/08) removed the 10% import tax on soybeans and said it would also scrap a 5% import duty on wheat, in an attempt to ease the affect of rising international prices on consumers.

Bayu Krisnamurti, Deputy Coordinating Minister for Economic Affairs, said other steps were being studied to deal with the rising price of the commodity in global markets. Soybeans are used to make the *tempe* and tofu cakes that are a major source of nutrition for millions of Indonesians.

"The decision (to scrap the import tax) took into account the fact that the situation is probably not going to ease any time soon. Price pressures on agriculture products may prevail at least for the next four to six months," said Krisnamurti.

Meanwhile Reuters quoted a senior finance ministry official as saying that the duty on wheat imports

would also be dropped.

Domestic prices are influenced by changes in the international wheat prices because Indonesia relies entirely on imported wheat to meet its needs. Wheat flour prices have risen 150% since a year ago.

SOEs

## **Garuda posts \$27.5M net profit in 2007**

National flag carrier PT Garuda Indonesia posted an unaudited net profit of Rp259 billion (\$27.5 million) in 2007 compared to a loss of Rp197 billion in the preceding year, Asia Pulse reported.

"2007 was a rehabilitation year in which we managed to book a net profit of Rp259 billion while in 2006 we suffered a loss of Rp197 billion," PT Garuda Indonesia president director Emirsyah Satar said.

However, the airline's punctuality in arrival and departure times in 2007 dropped 8% to 77% from 85% in 2006.

The 2007 net profit was achieved because the company was able to optimize the use of its networks, resulting in a 3% increase in its productivity, even though the size of its fleet had shrunk.

The company's average seat load factor (SLF) increased from 72% in 2006 to 78% in 2007 while the number of passengers it carried rose 11% to 8,410,000 from 7,550,000 in 2006.

Garuda's net income in 2007 rose to \$1,041 million, 16% up from \$896 million in 2006.

## **Telkom buys 6.8% stake in Malaysia's SCICOM**

The country's biggest telecommunications company, PT Telekomunikasi Indonesia (Telkom), said Friday (25/1/08) it has acquired a 6.8% stake in SCICOM Berhad of Malaysia for an undisclosed value, Thomson Financial reported.

Telkom said the acquisition was carried out by its wholly-owned subsidiary PT Telekomunikasi Indonesia International (TII).

SCICOM is the first business process outsourcing (BPO) and contact center provider listed on the Kuala Lumpur Stock Exchange. It is based in Malaysia, with offices in the UK, India and the United States.

PRIVATE SECTOR

## **Ad spending expanded 17% last year**

Advertising expenditure grew 17% last year as mobile phone operators stepped up competition, Bloomberg reported.

Total spending rose to Rp35.12 trillion (\$3.7 billion) from Rp30.03 trillion a year earlier, Maika Randini, business development manager of Nielsen Media Research, said. The 2007 growth mirrored the previous year's growth.

Mobile-phone companies ranked top last year, spending Rp2.77 trillion, a 40% increase from the previous year.

About 66% of the advertisements were for television, boosting sales at television stations.

Hair care products, led by PT Unilever Indonesia's anti-dandruff shampoo, ranked second in ad spending last year, while cigarette makers came third, Nielsen Media said.

## **Indomobil to assemble Suzuki Sx4 in Indonesia**

Suzuki car agent PT Indomobil Niaga International (IMNI) said it will assemble a new Suzuki product, sport utility vehicle SX4, in Indonesia this year, Asia Pulse reported Tuesday (22/1/08).

IMNI hopes to increase sales of the SX4 to 10,000 units this year from 3,400 units in 2007, its marketing director Rudjojo Nirjana said.

So far SX4 cars sold in the country have been supplied by Suzuki in Japan in completely built-up form, Rudjojo said, adding by assembling it in the country the selling price would be lower.

Earlier IMNI President Subronto Laras said his company would spend \$25 million to assemble the SX4 in Indonesia.

## **Electronic goods sales up 24% in 2007**

Sales of consumer electronic products were valued at Rp14 trillion (\$1.55 billion) in Indonesia last year, up 24% from the previous year's Rp12.2 trillion, Asia Pulse reported Monday (21/1/08).

Generous credit facility offered by banks and other financing agencies contributed to the expansion of electronic goods market in the country, the Electronic Marketer Club (EMC) said.

Improvement in the purchasing power, especially in the regions, also contributed to the strong sales, EMC chairman Subiantoro said.

Televisions were the best sellers with total sales of Rp5.4 trillion, followed by refrigerators with sales valued at Rp2.8 trillion.

This year EMC members predict a 25% increase in sales, Subiantoro said.

## **Carrefour to buy 75% stake in Alfa Retailindo**

French retailer Carrefour said it has agreed to buy a 75% stake in minimarket chain operator Alfa Retailindo for Euro49.3 million or Rp674 billion (\$71.47 million), Thomson Financial reported Monday (21/1/08) from Paris.

Carrefour agreed to buy the stake from Alfa Retailindo's main shareholders, PT Sigmantara Alfindo and Prime Horizon.

The deal will consolidate Carrefour's position as Indonesia's leading food retailer, the company said.

Alfa Retailindo reported sales of Euro265 million in 2006. Carrefour's sales in Indonesia in 2006 were Euro627 million.

Carrefour also offered to buy a further 5% stake in PT Alfa Retailindo from minority shareholders, a statement in *Bisnis Indonesia* newspaper said Friday.

Carrefour offered to pay Rp53.8 billion or Rp2,300 a share for the stake in Alfa.

Meanwhile the hypermarket operator said it will open three new outlets this year, Asia Pulse reported Tuesday.

The new outlets will likely be opened in Bogor, Depok, Tangerang, Bekasi or Surabaya, its president Jean Noel Bironneau said.

Currently the retail giant has 37 hypermarket outlets in the country. The expansion plan is based on predicted 15% growth of retail business in the country in 2008, Bironneau said.

## **Mandala to take delivery of 4 new airbuses**

Four new Airbus A319 and A320 aircraft ordered by PT. Mandala Airlines from their manufacturers in France and Germany will be handed over this year to expand the company's commercial fleet, Asia Pulse reported Monday (21/1/08).

Technical Director of PT. Mandala Airlines Brian E. Bradbury said that the new aircraft would replace the company's Boeing aircraft which are scheduled for grounding in 2009.

At present, Mandala Airlines is still operating two Boeing 737-200 and 737-300 aircraft.

"A total of 30 Airbus A319 and A320 aircraft had been ordered by Mandala, while six of them are already in service, while the other four are scheduled to arrive this year. One of the four will arrive in February," he said.

In 2011, the new A319 airliners with 144 seats and A320 with 180 seats will have been handed over to Mandala which is in charge of their operation.

According to Bradbury, the Airbus has some benefits for the company because fuel consumption is reduced by up to 30% and maintenance cost is much lower.

"Although the price of fuel has increased, we would still offer more competitive low air fares as operational costs could be lowered," he said.

## **Samudera Buys New Container Ship**

The Samudera Shipping Line Ltd (SSL), a subsidiary of publicly-listed shipping company PT Samudera Indonesia, has acquired a container ship at a price of \$28.9 million from Pacific Faith Shipping Co.Ltd., Asia Pulse reported Monday (21/1/08).

The container ship, with a capacity of 1,100 TEUS, was still under construction by Kouan Shipbuilding in China, and was expected to be completed before the end of the first quarter of this year, Samudera Indonesia secretary Diana P Iskandar said.

It would be the third container ship owned by the Samudera Shipping Line, Iskandar said in a report to the Indonesia Stock Exchange last weekend.

Earlier, the Samudera Shipping Line already placed an order for two container ships from China valued at \$83 million, to be delivered in the last quarter of this year.

She said that Samudera needed four additional container ships to strengthen its fleet, adding that the company planned to spend \$170 million on four new ships.

## **Sales of heavy equipment jump 83% in 2007**

Sales of heavy equipment shot up 83% to 4,789 units in the country last year from 2,618 units in the previous year, Asia Pulse reported Wednesday (23/1/08).

Stronger demand came from the mining and construction sectors, said Budi Setyo Utomo, chairman of the Association of Heavy Equipment Industries (Hinabi).

Exports, mainly to Malaysia and Africa, accounted for 23% of total sales, Utomo said.

## **Lautan Luas to sell Rp600B in bonds**

Manufacturer and distributor of basic chemicals PT Lautan Luas said Tuesday (22/1/08) it is planning to sell five-year bonds worth Rp600 billion from March 3 to 5, Thomson Financial reported.

The interest rate on the bonds has yet to be decided. Lautan Luas has tentatively scheduled book building for January 28 to February 11.

Lautan Luas's published prospectus says it will use 92% of the proceeds for working capital and the rest to redeem an existing bond.

PT DBS Vickers Securities Indonesia and PT Mandiri Securities have been appointed underwriters.

## **Truba Jaya to raise \$100M from IPO**

PT Truba Jaya Engineering hopes to earn up to Rp900 billion (\$100 million) from an initial public offering (IPO) to be launched next month, Asia Pulse reported Thursday (23/1/08).

The company will offer 3.2 billion units or 21.05% of its shares and will offer warrants as an incentive to investors, finance director Marianne L. Hasjim said.

Last year, the subsidiary of PT Truba Alam Manunggal issued bonds valued at Rp200 billion to be used for investment this year.

The company predicts a 177.7% increase in income to Rp3.2 trillion this year from un-audited income of Rp1.15 trillion last year and its net profit is forecast to surge to Rp207 billion from Rp40 billion.

Most of its income is expected to come from contracts to build power generating plants, oil and gas projects and other construction sector projects, she said.

Truba Jaya has won a contract worth \$206 million from US oil company Chevron Pacific Indonesia and it is now building a number of power generating plants with contracts valued around \$290 million in Java.

## **BANKS**

### **Bank Jatim plans Rp1T bond issue**

Medium-sized Indonesian bank PT Bank Jatim plans to raise Rp1 trillion (\$105.8 million) through bond issues in mid-2008 to increase lending and raise its capital base, one of its directors said on Tuesday (22/1/08), Reuters reported.

Sjamsul Arifin Djailani, the bank's marketing director, told Reuters the firm would issue two series of bonds, one maturing in five and the other in 10 years.

Djailani said Bank Jatim, owned by the East Java regional administration, expects to post a net profit of Rp610 billion this year, up from an estimated 587 billion in 2007.

The bank sees loans increasing 35% this year from Rp5.6 trillion last year.

### **Capital injection for Bank Sinarmas**

PT Bank Sinarmas said it will receive capital injection of Rp325 billion (\$36 million) in the next three year from the Sinar Mas Group, Asia Pulse reported Tuesday (22/1/08).

The bank, which was recently acquired by the group, will receive Rp75 billion in June and Rp50 billion in December this year, its president Tjendrawati Widjaja said.

Tjendrawati said the bank needs additional capital to meet growing demand for credits, adding the remaining Rp200 billion will follow in 2009 and 2010.

She said the shareholders have pledged to provide additional capital for the bank, which plans to open 45 new branches in various areas in the country this year.

## POWER

### **Medco allocates \$90M for geothermal project**

Publicly listed energy company PT Medco Energi Internasional said it has set aside \$90 million for the geothermal power generating project in Sarulla, North Tapanuli, North Sumatra, Asia Pulse reported Wednesday (23/1/08).

Medco President Hilmi Panigoro said the 330-MW power generating project, which is 37.5% owned by Medco, will cost around \$800 million.

Japan Bank for International Cooperation (JBIC) is to provide \$560 million and other shareholders will put up the remaining \$150 million.

The consortium, which also include Itochu Corp with a 25% share, Kyushu Electric Power Inc 25% and Ormat International Inc 12.5%, is to finish financial closing not later than August, 2008, Panigoro said.

The capacity of the Sarulla project, which will be the largest geothermal power generating unit in the country, could be expanded to 1,000 MW, requiring an increase in investment to \$2.4 billion.

### **Philippines' First Gen unit eyes joint ventures**

First Gen Corp, the Philippines' largest electricity producer, said Tuesday (22/1/08) that its recently acquired subsidiary PNOC Energy Development Corp (PNOC-EDC) is eyeing Indonesia for new geothermal power projects, Thomson Financial reported.

"PNOC-EDC is in discussion with Indonesian entities for possible surface exploration and exploration drilling services in Indonesia," First Gen told the Philippine Stock Exchange.

First Gen said it wants to tap PNOC-EDC's geothermal power expertise.

PNOC-EDC is the Philippines' biggest geothermal power producer, with an operating capacity of 1,100 MW.

### **Bukit Asam, Indonesia Power ink deal for higher coal price**

Coal miner PT Tambang Batubara Bukit Asam said Thursday (24/1/08) it has reached an agreement with state-owned power company PT Indonesia Power to sell its coal at Rp484,000 a metric ton, up 29% from last year's price, Dow Jones reported.

"The new price is effective for the period of Jan. 1, 2008 to December 31, 2008," Bukit Asam said in a statement.

Under the agreement, it will sell 5.1 million tons of coal for 2008 to Indonesia Power.

## OIL & GAS

### **Govt. raises Tangguh LNG price 31%**

China National Offshore Oil Corp. (CNOOC) will pay its imports of liquefied natural gas from Tangguh at a price 31% higher than the price agreed upon in the original contract, an official said, Asia Pulse reported Thursday (24/1/08).

Under a new contract, CNOOC will pay \$5.93 per million British thermal unit (BTU) as against the price of \$4.54 per million Btu in the old original contract, says Abdul Muin, chief of the upstream oil and gas executive agency (BP Migas).

CNOOC also agreed to provide \$300 million in guarantee for payment, Muin said.

The government is expected to start LNG shipment to the Fujian province of China when the Tangguh LNG plant starts operation early next year under the 20-year contract.

Meanwhile, Dow Jones reported that the government has projected higher revenues from the sales of liquefied natural gas from Tangguh.

Buyers have agreed to increase the oil price ceiling that is used to determine Tangguh's gas price by more than 50% to \$38 a barrel, Abdul Muin said.

Revenue from the expected 20-year lifespan of the gas field will likely increase by \$2.3 billion now that the oil price ceiling has been raised from \$25 a barrel.

### **Pertamina to be offered 15% of new oil, gas blocks**

State-owned PT Pertamina will be offered stakes of up to 15% in each of the new oil and gas blocks that the government will award to bidders and may cooperate with Brazil's Petrobras on some, Dow Jones reported.

"We want to (help) domestic companies, so we will give the privilege to Pertamina," Oil and Gas Director General Luluk Sumiarso said on Monday (21/1/08).

However, Pertamina must invest money if it wants to exercise its privilege, starting with the 26 blocks the government opened for tender last month, Sumiarso said.

Meanwhile a Pertamina official said Thursday the company plans a joint venture with Brazil's Petrobras to develop offshore oil and gas fields in Indonesia.

Pertamina would hold a 49% stake in the fields while its partner would hold the remaining 51% if the companies win government tenders for oil and gas fields, Pertamina upstream director Sukusen Soemarinda said.

Soemarinda said of 26 fields to be auctioned by the government, Pertamina is interested in five.

### **Pertamina, Toyo in \$283M project**

State-owned oil and gas company, PT Pertamina, said on Tuesday (22/1/08) it has signed a propylene project worth \$283 million, with a consortium including Japan's Toyo Engineering Corp., Reuters reported.

The project, which is due to be completed by 2010, will more than double Pertamina's propylene output, enabling it to meet rising demand for the product from plastic manufacturers, processing director Suroso Atmomartoyo said.

"The project will increase our production by 179,000 tons per year," Atmomartoyo said, adding that Pertamina's current output was around 160,000 tons per year.

The plant will be located near one of Pertamina's largest refineries, Balongan, which has a daily processing capacity of 125,000 barrels a day and supplies oil products to densely populated West Java province, including the capital Jakarta.

Pertamina has said it aims to lift investment by 50% to Rp21 trillion (\$2.2 billion) this year to boost crude output and upgrade refineries.

## MINING

### Ministry proposes 30% of coal for local industry

The industry ministry is considering a proposal to allocate 30% of the country's coal output to the domestic market, where demand is expected to rise, the industry minister said on Tuesday (22/1/08), Reuters reported.

Indonesia, the world's top thermal coal exporter, is expected to produce 234 million tons of coal this year.

There has been concern there will not be enough coal to meet growing local demand because record high prices have prompted producers to increase exports.

"We have huge coal deposits. But coal prices are fluctuating and when it peaks, producers prefer to export coal, neglecting domestic demand," Fahmi Idris said.

"The government should allocate 30% of the country's coal output for domestic market and make it mandatory."

Domestic demand is expected to reach 55 million tons, or 23.5% of total coal output this year, leaving the rest for exports, the Indonesian Coal Mining Association said in December.

Part of the country's coal output will be used for new power plants which are being built as part of a government program to generate an additional 10,000 MW by 2010.

### Timah 2007 profit rises more than sevenfold

PT Timah, the world's second-largest tin producer, said profit jumped at least seven times last year because of higher output and prices, Bloomberg reported Friday (25/1/08).

Net income rose to Rp1.5 trillion (\$161 million), up from Rp208 billion in 2006, Corporate Secretary Prasetyo Budi Saksono said.

Sales doubled to Rp8.2 trillion. Timah has until March 31 to report audited earnings to the stock exchange.

Indonesia started cracking down on illegal mining in October 2006 and imposed export curbs from February, moves that helped tin surge 43% last year

"Demand is still going to be strong, especially from China, even with a slowdown in the US," Ahmad Solihin, an analyst at PT Mandiri Sekuritas in Jakarta, said.

"There's still demand from tin-plating and switching from lead-based soldering, which will continue to happen." Soldering accounts for 30 to 35% of the global tin demand, he said.

## **Kartika, China's Zhejiang to build nickel smelter**

Mining firm PT Kartika Selabumi and China's Zhejiang Huaguang Smelting Group will build a nickel smelter and coke plant on Sulawesi island, a PT Kartika official said on Wednesday (23/1/08), Reuters reported.

The investment will be \$50 million, in Central Sulawesi, said Kiki Syahnakri, president commissioner of the privately-owned PT Kartika.

"The company (Zhejiang) will provide us with the technology to process low-grade nickel ore at low costs," Syahnakri said, adding that PT Kartika will supply nickel ore and coal for the coke plant from its mines in Central Sulawesi.

Zhejiang Huaguang is the top nickel and pig iron producer in China.

The smelter will have an annual production capacity of 3,500 tons of ferro-nickel -- used in stainless steel manufacture -- while the coke plant will have a production capacity of 2,500 tons of coke a year.

Construction is expected to start in March and commercial production could start by the end of this year, said Terry Yan, Zhejiang's assistant deputy general manager.

## **Production plan of key coal miners approved**

The government has approved the 2008 production plans of six major coal miners with a total planned output of over 151 million tonnes, an official said Thursday (24/1/08), Agence France-Presse reported.

"We have discussed the production plans of the six miners and have approved them," said Mangantar Marpaung, the Energy Ministry's director for coal and mineral development.

The country's biggest coal miner, PT Kaltim Prima Coal (KPC), plans to produce 46.27 million tons of coal while sister company PT Arutmin Indonesia plans to produce 20.30 million tons.

Both KPC and Arutmin are controlled by PT Bumi Resources.

Meanwhile, PT Adaro Indonesia has projected an output of 38.0 million tons and PT Kideco Jaya Agung has planned for 22.0 million tons.

PT Berau Coal has set its target at 14.13 million tons while PT Indominco Mandiri proposed to produce 11.17 million tons, he said.

## **Bumi, West Side in coal seam gas joint venture**

The country's largest coal producer, PT Bumi Resources, will team up with its Australian subsidiary West Side Corp. Ltd to develop coal seam gas reserve in Kalimantan with an investment of around Rp150 billion (\$16.5 million), Asia Pulse reported Wednesday (23/1/08).

Bumi and West Side have agreed to establish a joint venture company PT Seamgas Indonesia with a 50:50 share split, Bumi corporate secretary Dileep Srivastava said.

West Side, which is 27.5% owned by Bumi, operates in coal seam gas (CSG) business and wants to expand its operation to Kalimantan in cooperation with PT Kaltim Prima Coal and PT Arutmin, both coal mining subsidiaries of Bumi.

## **Emperor happy with Indonesia drill yield**

Australia's Emperor Mines Ltd says its is encouraged by gold assays of up to 27.2 grams per ton from its Tujuh Bukit project in Indonesia, *The Age* reported Wednesday (23/1/08).

The company said the early drill results confirmed "the geometry and scale of a new gold-silver cap overlaying a significant copper-gold system".

"We are excited that the drilling is suggesting the existence of a system which is similar in style to the (Idophil Resources NL) Tampakan project in the Philippines," chief executive Brad Gordon said.

The next round of drill results from Tujuh Bukit is expected in February.

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