From serving to driving Indonesia's growth

Delivering lasting transformation at IPC

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President Director
PT. Pelabuhan Indonesia II (Persero)
Indonesia an important link in global trade

Global container flows by main trades, 2015 (M TEUs)

1. Includes NE, SE, and S. Asia
2. Includes domestic

Note: Container flows based on forecasts excluding empties and transshipment but including domestic for intra-regional trade; some trades excluded for display purposes; CAGR based on 2007-2015

Source: BCG analysis, Singapore case study

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Source: BCG analysis, Singapore case study
Rise of middle class drives domestic demand
Indonesia’s middle class and affluent population expected to grow by ~70 M by 2020

Indonesian population 2012 (millions)

- Elite: 2.5
- Affluent: 6.6
- Upper middle: 23.2
- Middle: 41.6
- Emerging middle: 44.4
- Aspirant: 65.4
- Poor: 64.5

Total Middle and Affluent population: 74 M

Indonesian population 2020 (millions)

- Elite: 6.9
- Affluent: 16.5
- Upper middle: 49.3
- Middle: 68.2
- Emerging middle: 50.5
- Aspirant: 47.9
- Poor: 28.3

Total Middle and Affluent population: 141 M

Indonesia expected to be world's top 10 largest economy by 2020

Note: Based on average monthly household expenditure from BCG population and household expenditure database 2012, including only regular household expenditure such as food, utilities, communication, transportation and etc.
Source: BCG population and household expenditure database 2012; Indo mkt. research agencies; BCG Indo consumer survey, October 2012; BCG analysis
Tremendous growth and potential to domestic trade

Fast growing, vibrant domestic trade routes

Inter-island trade has increased ~5x from 2006 to 2011

Note: Province to province origin-destination goods flow for all means of transportation (sea, air, land), CAGR 2006-2011
Source: OD Matrix - Ministry of Transportation 2006 and 2011
However, Logistic inefficiency currently bottleneck for growth

It is cheaper to ship goods from Jakarta to Hamburg than to Padang

Source: Shipping companies, Quotes from domestic logistic company (2012), BCG analysis
The transformation story of IPC

Stage 1 (2009 and before)
Pelindo II

Starting point:
"Massive internal and external challenges"

Stage 2 (2009 – 2012)
Indonesia Port Corporation

Transformation Part I:
"Serving Indonesia"

Stage 3 (2012 and beyond)
Indonesia Port Corporation

Transformation Part II:
"Driving Indonesia's growth"
Starting point in 2009: Massive internal and external challenges

**Internal challenges**

- Low trust to management
- Low employee affiliation
- Low employee and asset productivity
- Lack of entrepreneurship and energy

**External challenges**

- Negative public & customers perception
- New regulation opening the port market
- War for talents
- More demanding and sophisticated customers
Defining the new identity

The creation of our new logo symbolizes change, strength, optimism and agility. It becomes a symbol of pride within the organization for everyone to stand behind As we take the company forward.
The recipe for success:
ongoing improvement on soft and hard infrastructure

- Grooming of talents
- Improvement of operations: handling method, process
- Improvement of service: 24/7 operations
- Deployment of Information & Communication Technology
- Reorganizing The Terminal Operator

- Procurement of new handling equipments
- Improvement of new facilities
- Land optimization & configuration
- Development of new ports

Soft infrastructure

Hard infrastructure
Significant impact achieved for IPC

Strong growth in revenue and profit

IPC Revenue (Rp Tn)

- 2008: 3
- 2009: 4
- 2010: 6
- 2011: 8
- 2012: 10

EBIT: +1% growth

Doubling container traffic in 3 years

Container traffic at Tanjung Priok (million TEUs)

- 2000: 2.4
- 2002: 2.5
- 2004: 2.6
- 2006: 2.9
- 2008: 3.1
- 2010: 3.4
- 2012: 3.9

- 2010: 4.6
- 2012: 6.4

Improved public and customer perception

Ranking of logistics performance index improved

- 2010: 75
- 2012: 59

Multiple awards won

- Asia’s Best Container Terminal Award Year 2011 & 2012
- INSA’s Version Best Container Terminal Year 2010 & 2011
- Asia HRD Award Year 2012

Source: IPC
Example: Long lasting impact created in Pontianak Port

<table>
<thead>
<tr>
<th>Terminal Master Design and New Processes</th>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unclear marking and demarcation</td>
<td>Clear <strong>demarcation</strong> among stevedoring companies</td>
<td></td>
</tr>
<tr>
<td>Lack of coordination with ship services</td>
<td>Regular synchronization (monthly meeting)</td>
<td></td>
</tr>
<tr>
<td>No planning and control function</td>
<td><strong>Planning and control</strong> function set up</td>
<td></td>
</tr>
<tr>
<td>Poor performance:</td>
<td><strong>Indication of better performance:</strong></td>
<td></td>
</tr>
<tr>
<td>- B/C/H: 6</td>
<td>- B/C/H: ~15</td>
<td></td>
</tr>
<tr>
<td>- Ship waiting time: ≥ 7 days</td>
<td>- Ship waiting time: Zero</td>
<td></td>
</tr>
<tr>
<td>- Long and unlimited dwelling time, especially for empty MLO</td>
<td>- Shorter dwelling time: max 6 days for empty MLO and much faster for domestic ones</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Supporting infrastructures (ICT system, personnel, tariff)</th>
<th>Before</th>
<th>After</th>
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<tbody>
<tr>
<td>ICT updating time up to 40 minutes</td>
<td>Less than 20 seconds <strong>updating time</strong></td>
<td></td>
</tr>
<tr>
<td>TPK ICT planning and monitoring modules are not user-friendly</td>
<td>Improved <strong>ICT</strong> planning and monitoring modules</td>
<td></td>
</tr>
<tr>
<td>No USTER planning and monitoring modules</td>
<td><strong>USTER</strong> planning and monitoring modules being built</td>
<td></td>
</tr>
<tr>
<td>Unclear tariff structure</td>
<td><strong>Detail tariff</strong> structure</td>
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<th>Organization, training and communications</th>
<th>Before</th>
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<tr>
<td>Stripping-stuffing responsibilities held by TPK</td>
<td><strong>Dedicated USTER Unit</strong> for stripping-stuffing</td>
<td></td>
</tr>
<tr>
<td>No proper on-the-job training</td>
<td><strong>Training curriculum</strong> based on best practice</td>
<td></td>
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<tr>
<td>Communication channels not activated</td>
<td><strong>Communicated</strong> with key internal and external stakeholders</td>
<td></td>
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</table>
Wealth-driven demand will likely generate new ‘hotspot’ for domestic container trade

Source: BCG population and household expenditure database 2012; AT Kearney Report; OD Metrics 2011; BCG analysis
Newpriok port development plan

### PHASE 1

<table>
<thead>
<tr>
<th>DEVELOPMENT</th>
<th>: 2012 – 2017</th>
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<tbody>
<tr>
<td>ESTIMATE PROJECT COST</td>
<td>: US $ 2,5 Billion</td>
</tr>
<tr>
<td>LENGTH OF BERTH</td>
<td>: 4000 M</td>
</tr>
<tr>
<td>DEPTH</td>
<td>: -16 M LWS</td>
</tr>
<tr>
<td>First Operation Container Terminal (CT 1) will start in 2014</td>
<td></td>
</tr>
</tbody>
</table>

- **Container Terminal**: 3 Terminal
- **AREA**: 132 Ha
- **CAPACITY**: 4,5 MILLION TEUs/Year
- **Oil & Gas Terminal**: 2 Terminal
- **AREA**: 48 Ha
- **CAPACITY**: 10,0 MILLION M³ /Year

### PHASE 2

<table>
<thead>
<tr>
<th>DEVELOPMENT</th>
<th>: 2018 – 2023</th>
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</thead>
<tbody>
<tr>
<td>ESTIMATE PROJECT COST</td>
<td>: US $ 2,2 Billion</td>
</tr>
<tr>
<td>LENGTH OF BERTH</td>
<td>: 4000 M</td>
</tr>
<tr>
<td>TOTAL CY AREA</td>
<td>: 300 Ha</td>
</tr>
<tr>
<td>DEPTH</td>
<td>: -20 M LWS</td>
</tr>
<tr>
<td>First Operation Container Terminal Phase 2 will start in 2021</td>
<td></td>
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</tbody>
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- **Container Terminal**: 4 Terminal
- **AREA**: 300 Ha
- **CAPACITY**: 8,0 MILLION TEUs/Year
Setting up Newpriok for success

- Partnering top terminal operators
  - Ensures independent, world-class operations at New Priok

- Independent oversight committee
  - To monitor and provide transparency to the New Priok project
    - Made up of highly reputable and prominent Indonesian figures
    - Regular update meetings to keep close tabs on project progress

- Focused project manager
  - Removed from bureaucracy that plagues many state-owned enterprises
    - PT Pengembang Pelabuhan Indonesia (PPI) set up specifically to manage and develop New Priok

- Skilled and experienced
  - Highly skilled individuals with the right experience to provide the critical capabilities required to deliver a large and complex project such as New Priok
PCS / INAPORTNET: Putting logistics community (B2G-B2B) onto single platform
Port Community System: INAPORTNET
