Port Holding To Energize And Strengthen Pelindos Within The Framework of President Maritime Fulcrum Plan To Support Toll Laut

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Abstract

According to major and respected firms as PwC and McKinsey, the Indonesian economy will grow to be the fourth largest in the world by 2050. This will imply that all natural resources and assets are more optimally used and globally traded. This requires an optimally functioning and optimally managed domestic and international port and port infrastructure management. The models for such management systems are abundantly available in the Gulf, Asia and Europe. That is also where Indonesia’s competitors are located. Importantly, President Joko Widodo’s Global Maritime Fulcrum plan allows Indonesia to develop a holistically integrated domestic and international trade and logistics policy that simultaneously and substantially reduces the poverty gap while bringing Indonesia alongside other major Asian ports – but with far more potential to grow. This growth must be evenly distributed in various parts of the archipelago, so it is necessary to arrange logistics in a way that can reduce logistics costs while optimizing profit. Examples created by the Ministry of SOEs are similar consolidations in the mining and energy sectors – establishing ‘national champions’ to compete globally. This requires different management systems for smaller national and larger international ports. This can best, if not only, be achieved through the establishment of a Maritime SOE holding that formalizes

Keywords: Toll Laut; Port Holding.

Introduction

Integrated goals and strategizes and manages investments and operations. This stops current ineffective and loss-making spending programs and initiates a viable and profitable SOE that divides its work in two main and interconnected areas: domestic and international ports. To attract adequate international funding, this SOE will set the standards, integrates these with sound industrial policies, uses the activation of Law No. 17 of 2008 on Shipping to implement a landlord port management model for larger international ports and an Indonesian de-regulation
policy promoting transparency, financial and administrative efficiency, and adequate forms of foreign ownership as successfully exercised in all profitable ports. Why is it necessary to establish a holding company in the Maritime field? There are 5 reasons, namely: Unity of Control, Ability to increase funding (Financial leverage), Balancing policies, Investment distribution and Tax Optimization, and an end to unnecessary financial losses or potential bankruptcies.

Method and Analysis

a. Financial Performance of the Pelindos

The following table lists Pelindo 1 to 4 financial ratios:

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<th>Financial Performance of Pelindo 1-4 (trillion Rupiah)</th>
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<tr>
<td>Description</td>
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<tr>
<td>Revenues</td>
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<td>Expenses</td>
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<td>Net Profits After Tax</td>
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<td>Tax</td>
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<td>Capex</td>
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<td>Debt</td>
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<td>Assets</td>
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<td>Debt to Equity</td>
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Pelindo 1 is famous for its conservative approach to managing debt, which is an advantage for most companies. However, for state-owned companies engaged in public utilities, the conventional limit of the DER ratio is 2.0. Therefore, the DER ratio of 0.7 is too conservative.

Pelindo 2 has borrowed too much, a strategy that threatens its financial sustainability but provides benefits to the national economy. Excessive loans should be avoided by injecting equity by the public sector through the state budget or the private sector. The situation can be corrected at this time by injecting equity by the public or private sector to allow Pelindo 2 to buy back its bond portion or hedge the risk of exchange rates by buying US dollar bonds with similar coupons and maturity. The problem of Pelindo 2’s cash
flow has been exacerbated because the company revalued its assets in 2016 and had to pay taxes on its revaluation surplus, even though the assets were not sold.

Pelindo 3 has a low ROA level, a sign that additional assets cannot generate additional income sufficient to pay more debt. Therefore, companies need to avoid borrowing more than they can repay or as an alternative, companies need to increase profits.

Pelindo 4 has limited ability to receive loans for port investment because the income is not enough to pay interest and repay the principal amount. Domestic tariffs were last adjusted in 2014, which means that domestic prices for port services have decreased by 12.4% in real terms. This is the same as giving a discount of 12.4%. Public policies regarding tariffs need to consider who benefits from the prevailing discount.

b. **Analysis of the Financial Performance**

37 of 70 Pelindo branches earn less than 10% of income and may have negative financial returns on income. 47% of the port branches support 53% of the port branches which do not contribute anything to the cost of capital investment. *This is a major disincentive for private sector investment in the port sector.* The domestic port companies are not profitable especially because the tariffs are too low. Nevertheless, ports such as Banjarmasin, Bitung and Pantoloan have sufficiently contributed to the national economy to justify investment. In the case of Pantoloan (to take an example of a port with a below-average volume with a high ratio of full containers to those coming out, and a low level of financial returns on historical income, in eastern Indonesia) economic returns on potential investments are not as clear as those in Banjarmasin and Bitung, but simple models. These models have shown that economic returns on investment can reach at least 10% and may be much higher. Some of these benefits can be recovered through increasing port rates,
but only if delays at the port can be reduced. The social needs of the people served by domestic ports, including in eastern Indonesia, cannot be met at a low port rate because the low port rates do not benefit the senders or residents of the harbor areas, such as Banjarmasin, Bitung and Pantoloan. By making generalizations based on lessons learned from Banjarmasin, Bitung and Pantoloan, low tariffs and cross-subsidies do not achieve the goal of increasing social benefits and have unintended consequences, namely prevention of private sector investment in ports. For domestic ports, the logistics pricing mechanism is unsuccessful. Subsidies for the logistics system are not an answer to the social and economic development of eastern Indonesia. The most effective way to meet the social needs of the people served by say, Pantoloan Port, is to increase efficiency and establish a mechanism for determining logistic prices to recover part of the higher price paid by the community for goods in the port hinterland. The poor financial performance of the Pelindo branch was partly due to low tariffs that were regulated directly by the government. To make progress in encouraging private sector investment, deregulation of the market through initiatives such as independent tariffs is needed. The private sector will invest in a logistics system if the pricing mechanism manages to increase efficiency and if increased efficiency provides increased profits. Thus, ports will become profitable. Analysis of the financial performance of Pelindo and the branch offices above shows that, in practice, 10% of the margin on revenue is equivalent to return on capital without profit for investment in port upgrading or expansion. The mechanism for determining the price of the tariff, in practice, does not fulfill one of the criteria determined based on the legislation.
Discussion and Result

a. A New Port Holding

The bundling of Pelindo 1-4 in one SOE already started in 2013 (see para. 34), following a decision by Minister of SOE Rini Soemarno and following full support of the Directors of Pelindo 1-4. In part, the Pelindo structure still bears the hallmark of colonial times and is unadapted to Indonesia’s rapid economic and industrial growth – requiring a holistically integrated industrial/energy/port facilities approach. The history of port companies starts in the Dutch colonial era, where port management was under the coordination of Departement van Scheepvaart that was tasked with providing port services and implemented by Havenbedrijf. In 1952, the form of the company was changed to the Port Office until 1959. In 1960, the government issued a Government Regulation in Lieu of Law (Perpu) No. 19 of 1960 concerning State Enterprises. This was followed by Government Regulation Number 115 - 122 of 1961 which contained the Establishment of Regional Port I-VIII, where the Belawan Port was the center of the Regional Port I PN, Gulf Port Bayur as the center of Regional Port II PN, Palembang Port as the center of Regional Port PN III, Tanjung Priok Port as the center of Regional Port PN IV, Semarang Port as the center of Regional Port PN V, Surabaya Port as the center of Regional VI PN Port, Banjarmasin Port as PN center Port of Region VII, and Makassar Port as the center of Regional Port PN VIII. The Management of the Regional Port I-VIII State Company lasted until 1969 along with Government Regulation No. 18 of 1969 concerning the Dissolution of Port State Companies and the Transfer of Coaching to the Port Development Agency under the Ministry of Transportation. In 1983 port management changed again. The Regional Port Company I-VIII was merged into four port areas under the name of Port I-IV Public Corporation (Perum) plus PT Rukindo (Persero) which engaged in dredging. In 1991, the four Port Companies were changed to PT (Persero) Pelabuhan Indonesia I-IV. The establishment of a new Port Holding under
which the Pelindos are placed and re-organized in a Domestic and an International Department, is merely a further step in a maturing history. The control unit, the ability to increase funding, balance policies, investment distribution and tax optimization, and the current debts and loans of most if not all of the Pelindos are the reasons for the establishment of port holding. As a company engaged in infrastructure and management of consolidated assets / holding of four port companies coupled with PT Rukindo (Persero), a holding will provide added value to the Indonesian economy.

b. The Notion of a Holding

The holding concept for streamlining the number of State-Owned Enterprises (SOEs) in Indonesia was initiated in 1998. The idea of holding a SOE by way of grouping SOEs to every industry was raised in the era of the first SOE Minister, Tanri Abeng. The SOE holding concept was assessed by Pak Tanri to create a strong national company. The state-owned company is also considered to be increasingly focused on developing its business from upstream to downstream. At that time, Pak Tanri suggested there should be 5 SOE holding companies, namely state-owned energy and mining holding companies, infrastructure SOEs such as ports, airports, transportation and telecommunications. The legal basis of SOE holding formation is contained in Government Regulation (PP) Number 72 of 2016 concerning Amendments to Government Regulation Number 44 of 2005 concerning Procedures for Participating and Administration of State Capital in State-Owned Enterprises and Limited Liability Companies. Referring to Government Regulation (PP) Number 72 of 2016, Antam, Timah and PTBA will later be treated equally with SOE, because the government still holds dual color shares.

c. Holding Scheme

The government can consider to establish a port holding company to standardize the port system, strengthen financial capacity, and strengthen the
maritime economy. Based on the 2015-2019 Ministry of SOE’s Strategic Plan, the port holding scheme will resemble Pupuk Indonesia holding company. The entity of a holding is a new company. The subsidiary of an SOE holding company will be arranged based on business lines, such as port developers, container terminals, general cargo & dry bulk, liquid bulk, passenger terminals, industrial areas, and logistics. According to private studies, “the distribution is in accordance with the business line cluster of Pelindo subsidiaries and regionally”.

Conclusion

Benefits of a Pelindo Holding: Remarkably, the establishment of a Pelindo holding, called Indonesia Port Corporation (IPC), already emerged in 2013. The Pelindo I-IV Board of Directors agreed to this proposition. At present, the holding formation process is underway. It is the Minister of SOEs Rini Soemarno who can decide on the finalization of this process.

References

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