UK Trade
& Investment

UKTI Market Report

The Airport Sector in Indonesia

Foreword

The recent reciprocal visits of Prime Minister David Cameron and President Susilo Bambang Yudhoyono have highlighted the greater depth of the relationship between the United Kingdom and Indonesia.

Areas where our two countries can work more closely have been identified and include the aerospace and aviation sectors. This is particularly relevant given Indonesia's high recent and likely future growth and the global fact that passenger numbers typically grow at twice any country's GDP.

With some 17,000 islands, a west to east distance greater than London to Moscow, a population of about 250 million and a rapidly growing number of middle class consumers, the demand for more and bigger airports, equipment and aircraft will be intense.

While focus will be drawn to the urgent need for capacity to serve the capital Jakarta, across Indonesia plans for airport infrastructure and equipment renewal and expansion are advanced, and time-expired ATC assets must be replaced. As in many developing markets progress has been slower than planned but now appears to be accelerating.

This report takes into account some of the complex political, logistical and aviation issues involved for Indonesian decision makers and considers how the UK can make a real contribution to the airports sector. This is the right time for UK companies to be building relationships in Indonesia.

We believe our global experience and expertise, tailored to Indonesian requirements, can bring a compelling package for Anglo-Indonesian co-operation.

This scoping report is the first step on a journey to help create a new international gateway to Indonesia's capital Jakarta.

Richard Graham
Prime Minister's Trade Envoy for Indonesia

Peter Budd
UKTI Airport Advisory Council Chairman

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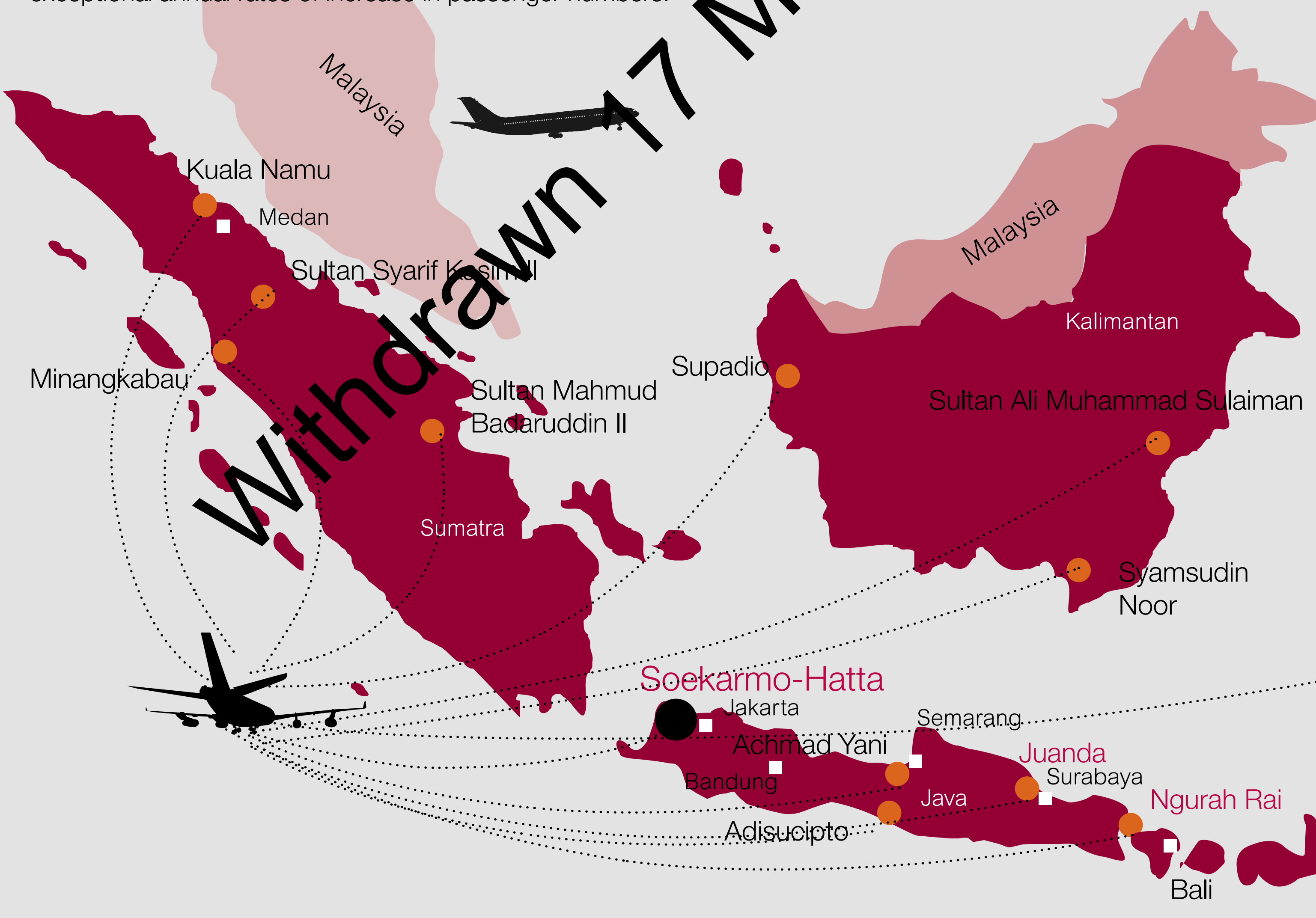
01 Foreword

Airports in Indonesia

The Republic of Indonesia has emerged as the fastest growing economy in south-east Asia. Indonesia has enjoyed relative political stability since 1998 and improving relations within its own regions and with its neighbours.

Tourism has recovered from a sharp fall following the terrorist bombings in 2002 to 2005. Strong economic growth has been established for decade and is predicted to continue. Together, these factors have driven exceptional annual rates of increase in passenger numbers.



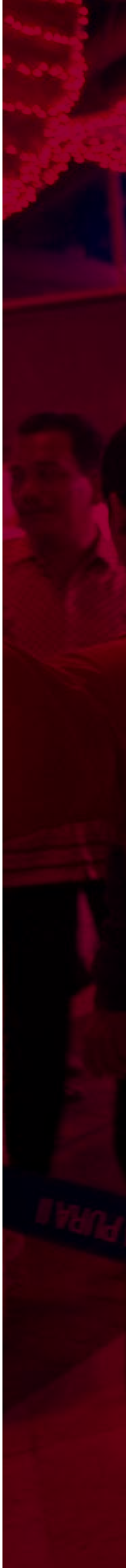
01 Foreword

Airport Name	Passengers per year
Soekarno-Hatta	>50m/yr
Ngurah Rai	>10m/yr
Kuala Namu	>[illegible]m/yr

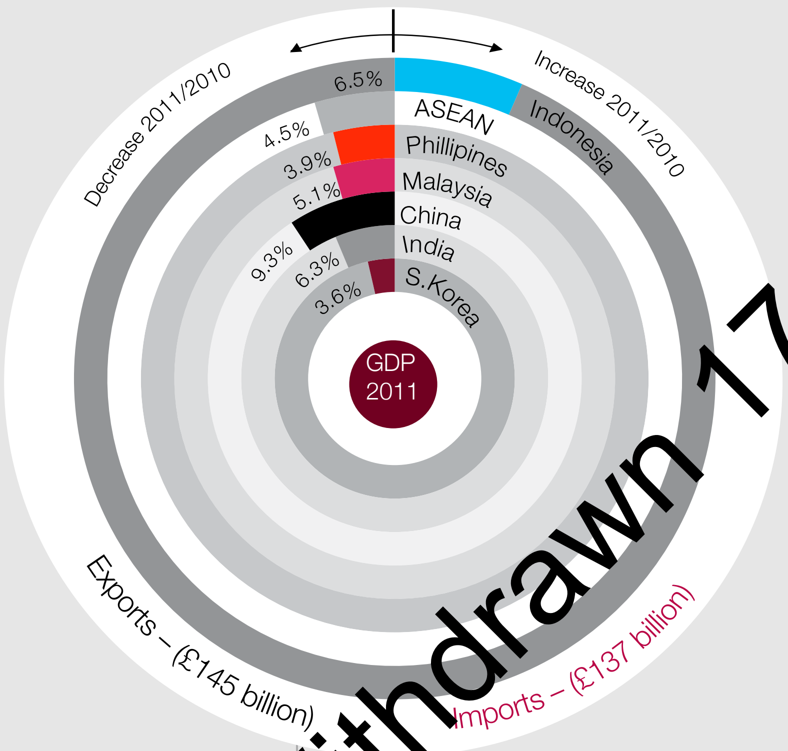
Major Cities

PART I

Understanding the Indonesian Airports Sector



02 Country statistics and background



	Domestic		International	
	2011	% Growth 2011/2010	2011	% Growth 2011/2010
Aircraft Movements	[illegible]m	16.7%	0.16m	13.1%
Passenger Movements	126.5m	20.4%	21.7m	13.0%
Cargo Handled	0.9 tonnes	26.2%	0.3 tonnes	-1.1%

Population
242 million people

Indonesia

- GDP: £625 billion (2011)
- GDP Growth rate 6.2% (2012)
- Inflation 4.3% (2012)
- Unemployment: 6.6% (2011)
- GDP per capita: £3,500 (2011, based on purchasing power parity)

02 Country statistics and background

Major Cities

Jakarta:	9.2m
Semarang:	3.2m
Surabaya:	3.1m
Bandung:	2.3m
Medan:	2.1m
Makassar:	1.1m

President: Susilo Bambang Yudhoyono
(Presidential election due 2014)

Government Ministry for Aviation

Ministry of Transportation
(Minister – Evert Erenst Mangindaan)
Directorate General of Civil Aviation
(Director General – Herry Bakti)

34 Provinces, including:

Jakarta Special Capital Region
(Governor – Joko Widodo)
Yogyakarta Special Administrative Region
(Governor – Sultan of Yogyakarta)

03 Doing business in the Indonesian airports sector

Private financing of public infrastructure

Legislation permitting Public Private Partnerships (PPPs) was approved in 2009 to bridge the gap between the capacity of the state and the demands for infrastructure financing in a range of sectors including airports. Three companies have been established by government to support PPPs developments in different ways (ERIA, 2012):

- PT Penjamin Infrastruktur Indonesia – the Indonesian Infrastructure Guarantee Fund (IIGF) – is a state-owned company established by the Ministry of Finance. It provides the guarantees for financial obligations of the government contracting agency (GCA).
- PT Sarana Multi Infrastruktur (SMI) is a non-bank financial institution wholly owned by the Ministry of Finance. It provides loan or equity financing to infrastructure projects, and may act as a sponsor as well as GCA.
- PT Indonesia Infrastructure Finance (IIF) is a private financial institution established by the Ministry of Finance, backed by Asian Development Bank and others. It provides financing to commercially viable infrastructure projects through equity and long term debt particularly in IDR.

Indonesia's Investment Coordinating Board (BKPM) promotes investment by domestic and foreign business in government-sponsored development plans.

The annually-revised PPPs Blue Book (BAPPENAS, 2012) identifies 12 projects tendered by the end of 2012, of which three non-airports projects are "Ready for Offer" and a further:

- 26 are "Priority Projects" (including Banten South Airport valued at £140m)
- 58 are "Potential Projects" (including Kertajati, Kulonprogo and New Bali Airports valued at £750m)

Land acquisition

Problems with land acquisition are cited as one of the main reasons why PPP projects including airports have been slow to progress from outline planning to committed investment.

A Land Acquisition Bill was passed in the Indonesian parliament in December 2011 (ERIA, 2012). Modifications are currently being made to enhance the enforceability of the regulatory instruments. The Bill reportedly clarifies the procedures for the Government acquisition of land by shortening the period for deciding the project location and setting timeframes for land acquisition. The National Land Agency (BPN) has an expert team to assess land value and conducts compensation consultation with land owners.

Other factors

Indonesia's currency continues to be weak, so that imported goods and services are relatively expensive.

Attracted by natural resources, low labour costs and the large size of the domestic market, foreign investment is increasing rapidly. This comes despite the low perception of legal protections in Indonesia.


Kedatangan
Arrival

04 Aviation and airports sector overview

Introduction

Passenger numbers through Indonesian airports have been growing consistently, now exceeding 120m on domestic flights and 21m internationally (BPS, 2011). Cargo volumes are more steady but with potential for growth well above 1.3mt per year. Strong growth is predicted:

- General growth in the economy of Indonesia leads the region and is predicted by The World Bank and International Monetary Fund to continue to be vigorous. This is associated with growth exports and imports, which bring additional air freight traffic and business travellers to Indonesia's airports.
- With economic growth there is an emerging middle-class of citizens and a business community with the motives and means to travel by air.
- Leading airlines including Lion Mentari, Garuda Indonesia, Indonesia AirAsia and Wings Abadi are investing heavily in new aircraft to serve the Indonesian market. Airline operators are lobbying for additional capacity, and regional governments are promoting developments for tourism and trade.

Central government recognises the need to tackle chronic under-capacity of existing airports with a programme of expansions, replacement and new development. Regional governments are promoting schemes to serve their electorates. Several airports projects, both greenfield and expansion, are currently listed in official plans with an increasing reliance on private funding. Plans for refurbishment of existing airport and ATC facilities by their operators are in various stages of maturity.

Infrastructure development in airports as in other sectors is predicated on private finance and hence on the success of Indonesia's nascent PPP plans.

04 Aviation and airports sector overview

Key organisations in the Indonesian airports sector

Ministry of Transportation – Directorate General of Civil Aviaation (DGCA)

- Secretariat
- Directorate of Air Freight
- Directorate of Airports
  - International Airport Authorities
  - Class I Airports
- Directorate of Aviation Security
- Directorate of Airworthiness & Aircraft
- Directorate of Air Navigation Indonesia

PPP Development Consortia

Ministry of State-Owned Enterprises (SOE)

- PT BMKG
- PT Angkasa Pura I
- PT Angkasa Pura II
- PT Gapura Angkasa
- State-owned contractors
- Air Navigation Indonesia

Regional governments

BAPPENAS National Planning

BKPM Investment Planning Board

Key

- Grey: Organisations potentially requiring professional services
- Red: Organisations potentially requiring services and products

04 Aviation and airports sector overview

Directorate General of Civil Aviation

Within the Ministry of Transportation, the Directorate General of Civil Aviation (DGCA) is the primary regulatory authority for aviation and airport activities in Indonesia. The main responsibilities of DGCA and of its sub-directorates relating to air transportation, airports, flight security, air navigation, aircraft airworthiness and operation are defined (DGCA, 2013) as:

- Preparing and implementing policies;
- Preparing standards, norms, guidance, criteria, system and procedures;
- Performing certification and/or licensing;
- Supervising (in the sense of monitoring and assessment) the implementation of policies;
- Controlling (in the sense of providing directives, guidance, technical guidance on the implementation of policies;
- Law enforcement/corrective actions with respect to the implementation of policies; and
- Evaluating and reporting the implementation of policies.

Indonesia has completed the separation of regulation (by DGCA) from operational interests in airports, airlines and air navigation.

Nine initiatives are included in the 2011-2014 funding plan (BAPPENAS, 2011) sponsored by DGCA, indicating substantial government commitment to supporting future development and standards across Indonesia. Related railway and highways initiatives also included in the plan.

Additional support for DGCA interests has been provided by foreign governments, such as the AusAID/IndII funded Open Skies report by Mott MacDonald (IndII, 2011).

Airports

There are three state operators of Indonesian airports:

- PT Angkasa Pura I which is responsible for 13 main airports in central and eastern Indonesia (Angkasa Pura I, 2011);
- PT Angkasa Pura II which is responsible for 12 airports in western Indonesia (Angkasa Pura II, 2011); and
- DGCA.

As State-Owned Enterprises, Angkasa Pura I and II are required to be profitable through the airport services they provide. Both lost relatively small proportions of their revenue from over-flying charges on the creation of Air Navigation Indonesia. Both are restructuring and seeking to expand their operations into hotels and retail facilities at their airports, establishing regulated agents to provide cargo inspections at major airports, as well as shaping and sponsoring expansion plans.

BAPPENAS has stated its desire for improved efficiency in airport operation through partnership with successful foreign operators. DGCA and Angkasa Pura I and II appear to support this proposal. Incheon of South Korea will manage Surabaya International Airport jointly with Angkasa Pura I. Previously Schipol Airport Group has advised Angkasa Pura II at Soekarno-Hatta International Airport.

The current long-term Masterplan for Acceleration and Expansion of Indonesian Economic Development (MP3EI) 2011-2025 (BAPPENAS, 2011) lists 13 airport expansion and refurbishment projects. These include the government inputs to three of the four airports PPP projects listed by Indonesia's Central Planning Agency in the PPP Blue Book (BAPPENAS, 2012).

04 Aviation and airports sector overview

Air Traffic Control

Air Navigation Indonesia (ANI) – also known by the Indonesian acronym LPPNPI – took over stewardship of Indonesian airspace from Angkasa Pura I and II in January 2013. This has separated regulation of airspace (by DGCA) from its operation, in line with ICAO-recommended best practice.

Particular challenges recognised by ANI include:

- Unifying different elements into one organization;
- Addressing the shortage of trained staff;
- Renewing time-expired equipment (specified as voice and data communication, navigation aids and flight surveillance facilities); and
- Improving the quality of air navigation services.

ANI is to be self-funding on a cost-recovery basis. These improvements, all considered to be urgent, must be prioritised and described in detailed plans.

Ground handling

Ground handling operations services are provided by a large number of companies including some airlines. The most substantial of the specialist ground handling companies is the state-owned PT Gapura Angkasa which serves over 40 airlines at 27 airports.

Many ground handling companies now provide a wide range of customer services to airlines including counter services, security and hospitality.

UK Companies have provided some of the ground handling equipment currently in use at Indonesian airports including tugs and security screening equipment, but UK market share is low compared with US and Asian competitors. New equipment will be required to replace time-expired assets and to serve airport expansion and new build.

04 Aviation and airports sector overview

Airlines

Many airlines operate in Indonesia. The low cost airline business is expanding rapidly, targeting the domestic and regional markets. Local Airlines are aware of the market potential and a number of them (both well established and newcomers) have signed contracts to procure new aircraft as part of their expansion plans to tap into the growing market, in which the number of air passengers is expected to reach 88 million by the end of 2013. By way of example, Garuda Indonesia and Lion Air, Indonesia's largest privately owned carrier, have ambitious expansion plans. Both invested in new aircraft in 2012, and Lion Air announced an order for more than 200 A320 aircraft in March 2013.

Pilot training is a significant requirement, driven by the expansion of several of Indonesia's airlines and their substantial investments in new aircraft. Pilot training is licensed by DGCA and operated by airlines and specialist training companies.

Opportunities for UK Companies

Indonesia needs help to develop its airports and air traffic control systems to satisfy its ambitions for continued growth. Engagement between UK Companies and Indonesian stakeholders is required to identify specific opportunities where UK products and services could have a competitive advantage.

Research and discussions with Indonesian stakeholders have identified the main areas where help is needed from foreign companies including those of the UK. The Commercial Opportunities Table at the end of this section indicates the scope of project plans, with estimates of values and timescales, and highlights the nature of opportunities appropriate to the remaining work. These opportunities cover a full range of services, infrastructure and products as summarised opposite.

04 Aviation and airports sector overview

Services including:

- PPP finance advisory
- Procurement advisory
- Architecture and design consultancy
- Safety and security advisory
- Airport operations advisory
- Organisation development advisory
- Staff training
- Pilot training

Infrastructure and Products including:

- Apron and runway construction
- Passenger terminal construction
- Interior fit-out
- Security systems
- Cargo building construction
- ATC equipment
- Airside operations/ ground handling equipment
- Docking systems
- Cargo handling systems

UK Companies should note in this report something of the extent of competition from US, Asian, Australian and European agencies and companies. UK companies will need to ensure that their products and services are tailored to the needs of the Indonesian market. For example the French architect of new terminal buildings at Soekharno-Hatta International Airport is praised for representing local cultural factors.

Based on discussions with public and private sector stakeholders, attention from UK Companies will be welcomed by the Indonesian aviation and airports sector. The UK in general is thought of positively, without associations with former corrupt practices or the colonial era. But it seems that the capabilities of UK aviation and airports companies are not well known in Indonesia.

Indonesian stakeholders are becoming aware of UK interests in Indonesia through visits by Prime Minister Cameron, Lord Green and Richard Graham MP, and the presence of some UK companies in Indonesia. Significantly more time will need to be invested to build confidence in UK company intentions and capability in the aviation and airports sector. UK companies will need to work with UKT&I to raise their profile with Indonesian counterparts.

Whilst investment in infrastructure is promoted by government to support continued growth, it is increasingly reliant on other sources to finance expansion. Other nations have previously supported Indonesian growth with soft loans and grants, most notably Japan. Private finance is now the preferred mechanism for funding growth, subject to the legal requirement for a maximum of 49% non-state interest in public works.

President Yudhoyono has sought to accelerate progress in reducing the corruption that had tainted public services and projects for many years. Through a large number of State Owned Enterprises the central government still controls much of the investment and delivery of infrastructure.

Regional government is a significant influence on national development, including the airports sector. A number of Provincial Governments are promoting airport developments as a means of progressing the interests of their constituencies.

04 Aviation and airports sector overview

04 Aviation and airports sector overview

04 Aviation and airports sector overview

Commercial Opportunity: At a Glance

OPPORTUNITY DESCRIPTOR

04 Aviation and airports sector overview

FUNDING AVAILABLE

Project	Funding available
01. Kuala Namu Airport	Not Known
02. Sultan Syarif Kasim II Airport Stage 2	Not Known
03. Banten South Airport	PPP £140m
04. Karawang Airport	API £730m
05. Soekarno-Hatta Airport Terminal 3	APII £310m
06. Soekarno-Hatta Airport New Cargo terminal	APII £140m
07. Soekarno-Hatta Airport Further expansion	APII £250m
08. Kertajati/ West Java Airport	PPP £90m GOV £600m
09. New Yogyakarta Airport	PPP £330m GOV £250m
10. Juanda Airport Improvements	API £60m
11. Sungai Siring Airport	API £80m
12. Sultan Aji Muhamad Sulaiman Airport	API £1[illegible]0m
13. Ngurah Rai Airport	API £140m
14. New Bali Airport	PPP £340m GOV £70m
15. Air Traffic Control assets	Not Known
16. Angkasa Pura airports landside facilities	Not Known
17. Angkasa Pura airports operational improvements	Not Known
18. Airports plant and equipment	Not Known

Key:
API: Angkasa Pura I
API: Angkasa Pura II
GOV: Governement
PPP: Public Private Partnerrship

OPPORTUNITIES BY SECTOR

	SERVICES								INFRASTRUCTURE/PRODUCTS										
	PPP finance advisory	Procurement advisory	Architecture and design consultancy	Safety and security advisory	Airport operations advisory	Organisations development advisory	Staff training	Pilot training	Apron and runway construction	Passenger terminal construction	Interior fit-out	Security systems	Cargo building construction	ATC equipment	Airside operations/ground handling equipment	Docking systems	Cargo handling systems	Hotel, retail & other facilities	Estimated completion
01. Kuala Namu Airport							●		●	●	●	●			●		●		2017
02. Sultan Syarif Kasim II Airport Stage 2							●		●	●	●	●	●		●	●	●		
03. Banten South Airport	●	●	●				●	●	●	●	●	●		●	●	●	●		2016
04. Karawang Airport		●	●				●		●	●	●	●		●	●		●		2019
05. Soekarno-Hatta Airport Terminal 3							●				●	●					●		2015
06. Soekarno-Hatta Airport New Cargo terminal			●				●						●		●				
07. Soekarno-Hatta Airport Further expansion							●		●	●	●	●	●		●	●	●		2023
08. Kertajati/ West Java Airport	●	●	●				●		●	●	●	●	●	●	●	●	●		2017
09. New Yogyakarta Airport	●	●	●				●		●	●	●	●	●	●	●		●		2018
10. Juanda Airport improvements							no		details										
11. Sungai Siring Airport							no		details										2015
12. Sultan Aji Muhamad Sulaiman Airport							●												2014
13. Ngurah Rai Airport							●												2013
14. New Bali Airport	●	●	●				●		●	●	●	●	●	●	●		●		2018
15. Air Traffic Control assets						●	●							●					
16. Angkasa Pura airports landside facilities																		●	
17. Angkasa Pura airports operational						●	●												
18. Airports plant and equipment												●					●		

04 Aviation and airports sector overview

Commercial Opportunity: In detail

Site and Location Nature of Development Passengers per year Funding source Value GBP	Scope of work remaining	Opportunities remaining	Start dates: - Preparation - Tender - Land acquisition - Construction - Operation Critical factors
01 **Kuala Namu International Airport** (Deli Serdang, North Sumatra) Expansion [9m to 16m passengers] Funding not known	• Phase 2 scope to be confirmed	• Apron and runway construction • Passenger terminal construction • Interior fit-out • Security systems • Airside operations/ ground handling equipment • Cargo handling systems • Staff training	**P.** **T.** **L.** **C.** **O.** 2017
02 **Sultan Syarif Kasim II Airport** (Pekanbaru, Riau) Second stage of passenger terminal development [3m to 8m passengers] Funding not known	• Runway extension +360m • Second runway • Apron expansion to 58,000 m² • New passenger terminal 4m passengers/yr • New aerobridges • New cargo building	• Apron and runway construction • Passenger terminal construction • Interior fit-out • Security systems • Cargo building construction and fit-out • Airside operations/ ground handling equipment • Docking systems • Cargo handling systems • Staff training	**P.** **T.** **L.** **C.** **O.** Land dispute
03 **Banten South Airport** (Pandeglang, Banten) Greenfield PPP £140m	Phase I: • Runway 2,500m x 45m • Apron 180m x 500m • Passenger Terminal 21,480 m^2 Phase II: • Runway 3,200m x 45m. • Apron 180m x 770m. • Passenger Terminal 38,080m^2 • Pilot training school	• PPP finance and procurement advisory • Design/ consultancy • Apron and runway construction • Passenger terminal construction • Interior fit-out • Security systems • ATC design, construction, equipment • Airside operations/ ground handling equipment • Docking systems • Cargo handling systems • Staff training • Pilot training	**P.** done **T.** 2014 **L.** **C.** 2014 **O.** 2016 Site selection (from 3) Attracting investors
04 **Karawang International Airport** (Jakarta, Java) Greenfield [to 20m - later 70m passengers] API £730m to 25m passengers] APII £310m	• 4 runways • 2 terminals	• Procurement advisory • Design/ consultancy • Apron and runway construction • Passenger terminal construction • Interior fit-out • Security systems • Other buildings building construction and fit-out • ATC design, construction, equipment • Airside operations/ ground handling equipment • Cargo handling systems • Staff training	**P.** done **T.** **L.** **C.** 2015 **O.** 2019 Competition with Kertajati

04 ## Aviation and airports sector overview

TSite and Location Nature of Development Passengers per year Funding source Value GBP	Scope of work remaining	Opportunities remaining	Start dates: - Preparation - Tendering - Land acq - Construction - Operation Critical factors
05 **Soekarno-Hatta Airport** (Cengkareng, West Java) Terminal 3 Expansion [4m to 25m passengers] APII £310m	Terminal 3 expansion	• Interior fit-out • Security systems • Cargo handling systems • Staff training	**P.** done **T.** done **L.** done **C.** ongoing **O.** 2015
06 **Soekarno-Hatta Airport** (Cengkareng, West Java) New cargo terminal APII £140m	New cargo terminal	• Design/ consultancy • Cargo building construction and fit-out • Airside operations/ ground handling equipment • Staff training	**P.** 2013 **T.** **L.** **C.** **O.**
07 **Soekarno-Hatta Airport** (Cengkareng, West Java) Further expansion New navigation system [22m to 62m passengers] APII £ 250m	New Terminal 4 New runway Navigation system	• Apron and runway construction • Passenger terminal construction • Interior fit-out • Security systems • Cargo building construction and fit-out • Airside operations/ground handling equipment • Docking system • Cargo handling systems • Staff training	**P.** 2013 **T.** **L.** **C.** 2020 **O.** 2023
08 **Kertajati/ West Java Airport** (Majalengka, Bandung, West Java) Greenfield [to 12m - later 24m passengers] PPP £90m GOV £600m	Three phase development including: Runway 3000m (later 3600m) Cargo building/ facilities Development of the land side facilities of the new airport consist of: • terminal building • cargo and passengers facilities • carpark facilities • eventual development of surrounding aero city/ commercial business park of 3,800 Ha	• PPP finance and procurement advisory • Design/ consultancy • Apron and runway construction • Passenger terminal construction • Interior fit-out • Security systems • Cargo building construction and fit-out • ATC design, construction, equipment • Airside operations/ ground handling equipment • Docking systems • Cargo handling systems • Staff training	**P.** 2014 **T.** 2015 **L.** **C.** 2015 **O.** 2017 Organisation to develop and manage the airport. New order to attract partners
09 **New Yogyakarta Airport** (Kulonprogo, Java) Greenfield [0m to 6m passengers] PPP £330m GOV £250m	• Runway 3,600 x 45m • Apron • Taxiway • Terminal building • Commercial building • Technical building • Supporting flight operation with ATC	• PPP finance and procurement advisory • Design/ consultancy • Apron and runway construction • Passenger terminal construction • Interior fit-out • Security systems • Other buildings building construction and fit-out • ATC design, construction, equipment • Airside operations/ ground handling equipment • Cargo handling systems • Staff training	**P.** 2013 **T.** 2014 **L.** **C.** 2015 **O.** 2018 Land procurement constraints. Attracting investment partner

04 Aviation and airports sector overview

Commercial Opportunity: In detail

Site and Location Nature of Development Passengers per year Funding source Value GBP	Scope of work remaining	Opportunities remaining	Start dates: - **P**reparation - **T**ender - **L**and acquisition - **C**onstruction - **O**peration Critical factors
10 **Juanda Airport** (Surabaya, East Java) Improvements [6m to . passengers] API £60m	Improvements to existing assets (new terminal completed 2013)		**P.** 2014 **T.** **L.** **C.** **O.**
11 **Sungai Siring Airport** (Samarinda, East Kalimantan) Completion of new airport started in 1984 [to 1.5m - later 5m passengers] API £80m	No details available	No details available	**P.** done **T.** **L.** **C.** Ongoing **O.** 2015
12 **Sultan Aji Muhamad Sulaiman Airport** (Balikpapan, East Kalimantan) Expansion [5m to . passengers] API £110m	• New passenger terminal building • Later runway extension to 3250m	• Staff training	**P.** done **T.** done **L.** done **C.** ongoing **O.** 2014
13 **Ngurah Rai Airport** (Bali) Expansion [to 16m passengers] API £140m	Fit out and training for airport facilities completed in 2013	• Staff training	**P.** done **T.** **L.** **C.** ongoing **O.** 2013
14 **New Bali Airport** (Bali) Greenfield [to . passengers] PPP £340m GOV £70m, £90m GOV £600m	• Runway 3,800 x 60 m • Apron • Taxiway • Parking areas • Associated lighting • Airport approach aids • Access road • Cargo facilities • Cargo apron • Non Independent Runway 3500 m x 45 m	• PPP finance and procurement advisory • Design/ consultancy • Apron and runway construction • Passenger terminal construction • Interior fit-out • Security systems • Other buildings building construction and fit-out • ATC design, construction, equipment • Airside operations/ ground handling equipment • Cargo handling systems • Staff training	**P.** done **T.** 2013 **L.** **C.** 2014 **O.** 2018 Land procurement constraints. Attracting investment partner

04 Aviation and airports sector overview

TSite and Location Nature of Development Passengers per year Funding source Value GBP	Scope of work remaining	Opportunities remaining	Start dates: - Preparation - Tendering - Land acq - Construction - Operation Critical factors
15 **Air Traffic Control assets** (Various locations) Renewal/ upgrades Funding not known	• Unifying different elements into one organization; • Addressing the shortage of trained staff; • Renewing time-expired equipment (specified as voice and data commu-nication, navigation aids and flight surveillance facilities); and • Improving the quality of air navigation services	• Air navigation advice • Organisation development advice • Voice and data communication • Navigation aids • Flight surveillance facilities • Staff training	P. T. L. C. O.
16 **Angkasa Pura airports** (Various locations) Operational improvements Funding not knownP £90m GOV £600m	Operational improvements	• Staff training	P. T. L. C. O.
17 **Angkasa Pura airports** (Various locations including Surabaya, Bandung, Ngurah Rai, Soekarno-Hatta) Non-airport facilities including hotels and retail Funding not known	Non-airport facilities including hotels and retail	• Marketing advice	P. T. L. C. O.
18 **Airports** (Various locations) Airport equipment Funding not known	Supply and maintenance of equipment to Gapura Angkasa and others	• Airport security • Fire tenders • Baggage handling	P. T. L. C. O.

05 Contacts

Ministry of Transportation

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Ir Arfiyanti Samad *Secretary of Directorate General*

Ir Djoko Murjatmodjo *Director of Air Transportation*

Bambang Tjahjono *Director of Airports*

Drs Mangiring Sidabutar *Director of Aviation Security*

Novie Riyanto *Director of Air Navigation*

Diding Sunardi *Director of Airworthiness and Airport Operation*

Other Ministry of Transportation contacts

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State Owned Enterprises in the aviation and airports sector

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Robert Waloni Director, *Marketing and Business Development*

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PT Angkasa Pura II

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www.angkasapura2.co.id/

Ir Tri Sunoko Chief Executive

Rinaldo J Azis *Deputy Director General*

Salahudin Rafi Director, *Operations and Engineering*

Fery Utameyasa *Head of Marketing*

Air Navigation Indonesia

Soekarno-Hatta International Airport, Jakarta 19120

www.airnavindonesia.co.id

Ir Ichwanul Idrus *Chief Executive*

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I Soebagyo *Chief Executive*

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National Development Planning Agency (BAPPENAS)

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National Public Procurement Agency (LKPP)

www.lkpp.go.id

Other state-sector organisations

PT Sarana Multi Infrastruktur (SMi)

GKBI House, Jalan Jenderal Sudirman No28, Jakarta 10210

www.ptsmi.co.id

Emma Sri Martini *President Director*

PT Indonesia Infrastructure Guarantee Fund (IIGF)

Sampoerna Strategic Square, North Tower, Jalan Jenderal Sudirman Kav. 45-46, Jakarta 12930

www.iigf.co.id

05 Contacts

Investment Coordinating Board (BKPM)

Jalan Jenderal Gatot Subroto No44, Jakarta 12190

www.bkpm.go.id

Ir Yos Harmen *Deputy Director Infrastructure of Sea, Air Transportation and Other Infrastructures*

National Agency for Export Development (NAFED)

Jalan Gajah Mada No8, Jakarta 10130

www.nafed.go.id

Meteorological, Climatological and Geophysical Agency (BMKG)

Jalan Angkasa 1 No.2, Kemayoran, Jakarta Pusat

www.bmkg.go.id

Dr Ir Sri Woro B Harijono *Head of BMKG*

Provincial Governments involved in PPP airports projects

Provincial Government of Banten

Jalan Syeh Nawawi Al Bantani Palima, Serang

www.bantenprov.go.id

Mr. Widodo Hadi *Head of Local Development Planning Agency,* Banten Province

Provincial Government of West Java

Mr. Dicky Saromi *Head of Transportation Agency,* West Java Province

Jalan Sukabumi 1, Bandung

Provincial Government of DI Yogyakarta

Mr. Cipto Haribowo *Head of Transportation, Communication and Informatics* Agency Yogyakarta

Jalan Babarsari No.30, Yogyakarta

Mr. R. Toto Wasdopo *Head of Cooperation and Investment* Agency Yogyakarta

Kepatihan Danurejan, Yogyakarta 55213

Provincial Government of Bali

Made Mangku Pastika *Governor of Bali Province*

Jalan Basuki Rahmat, Nitimandala, Denpasar, Bali

Other contacts

Australian Aid Indonesia Infrastructure Initiative (IndII)

Ratu Plaza Office Tower, Jalan Jenderal Surdiman No9, Jakarta Selatan 10270

John Lee *Technical Director – Transport*

David Shelley *Head of Lead Advisory Support Unit, Ministry of Transportation*

PT Indoavis Nusantara

Terminal Building, Halim Perdana Kusuma International Airport, Jakarta 13610

www.indoavis.co.id

ASEAN Law Association

www.aseanlawassociation.org

British Chamber of Commerce (Britcham) Indonesia

www.britcham.or.id

British Embassy Jakarta

Jalan Patra Kuningan Raya, Blok L5-L6, Jakarta 12950

www.gov.uk/government/world/organisations/british-embassy-jakarta

Lizzie Hawkins *Director Trade & Investment*

Lian Jap *Senior Trade & Investment Manager*

Email Jakarta.mcs@fco.gov.uk

Telephone (+62) (21) 2356 5200

Indonesian Embassy, London

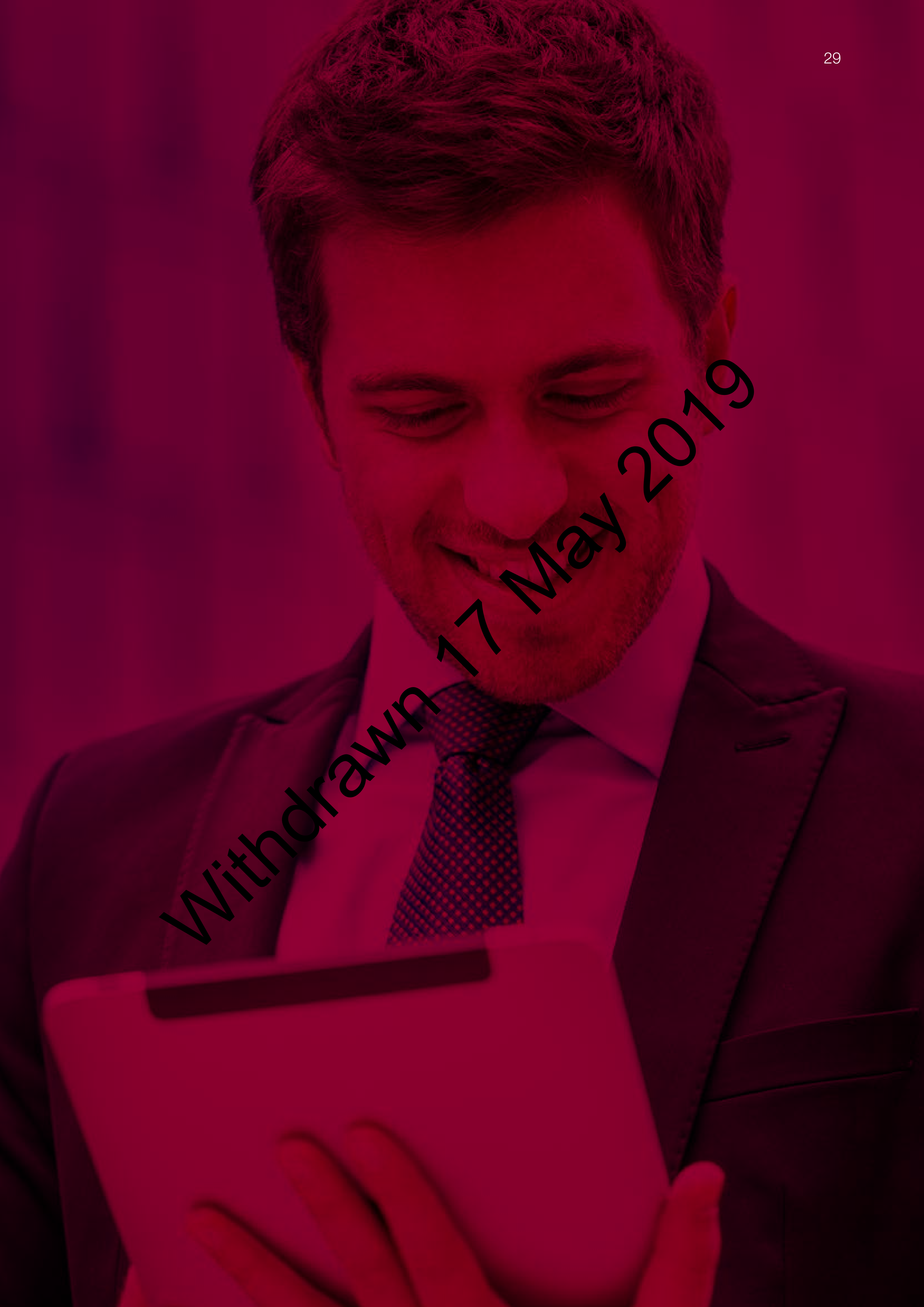
Consular and Visa Section

38 Grosvenor Square, London W1K 2HW

www.indonesianembassy.org.uk/consular/consular_visa_procedures.html

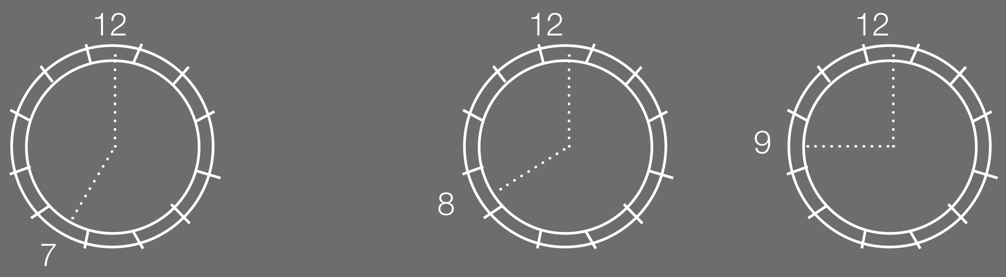
Supporting Information

PART III



Supporting Information

Time

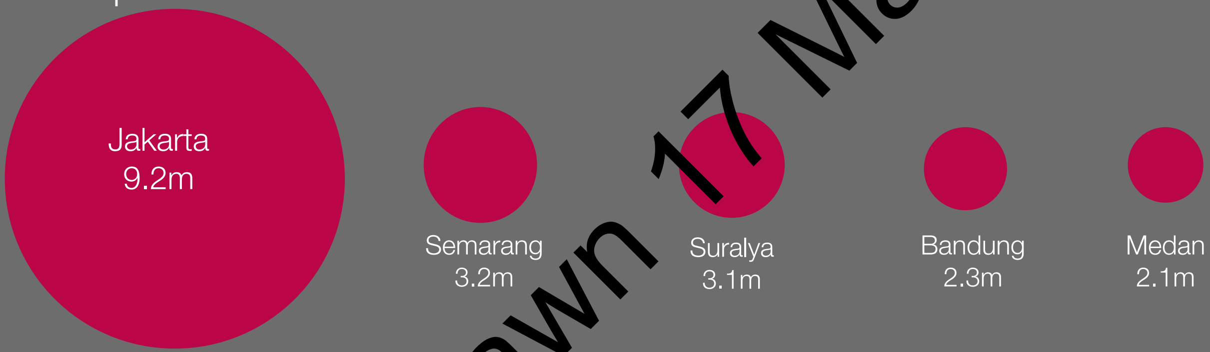


Western Indonesian Time:
GMT + 7hrs

Central Indonesian Time:
GMT + 8hrs

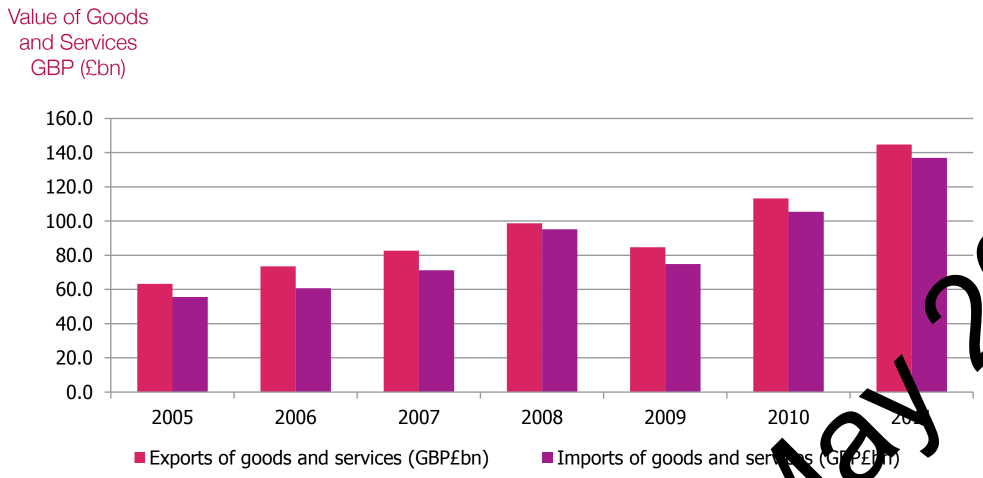
Eastern Indonesian Time:
GMT + 9hrs

Population

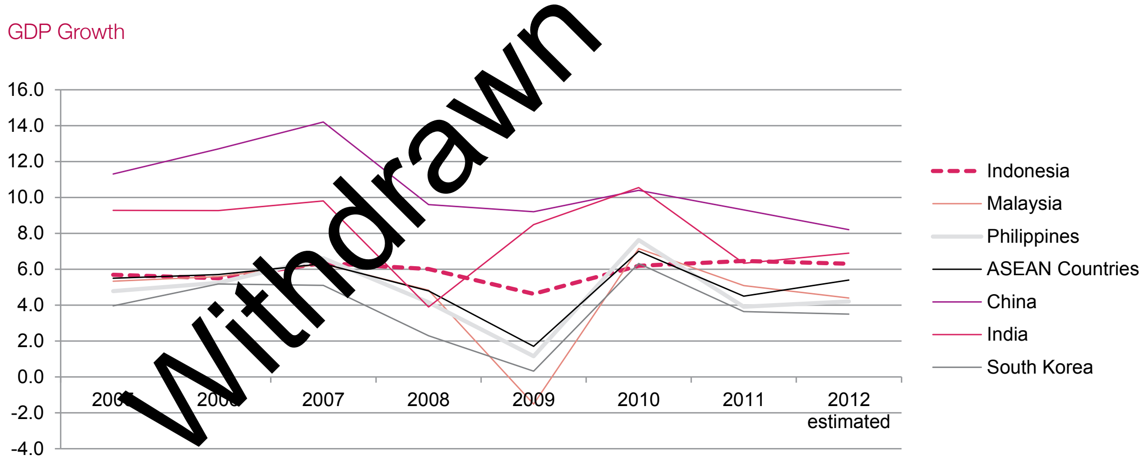


Indonesian Economic split by sector

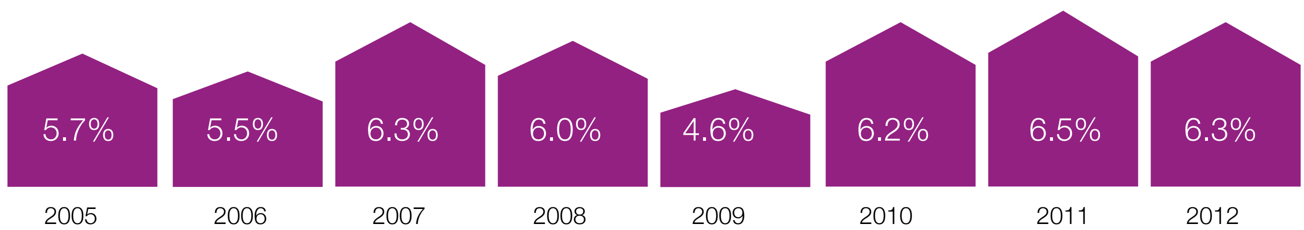
Indonesian Imports/Exports 2005-2011



GDP Growth Regional Comparison 2005-2011



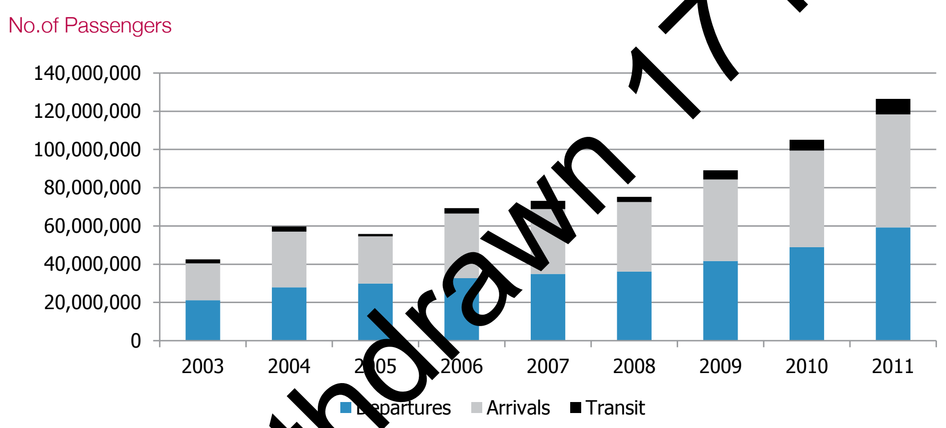
GDP Growth for Indonesia 2005-2012



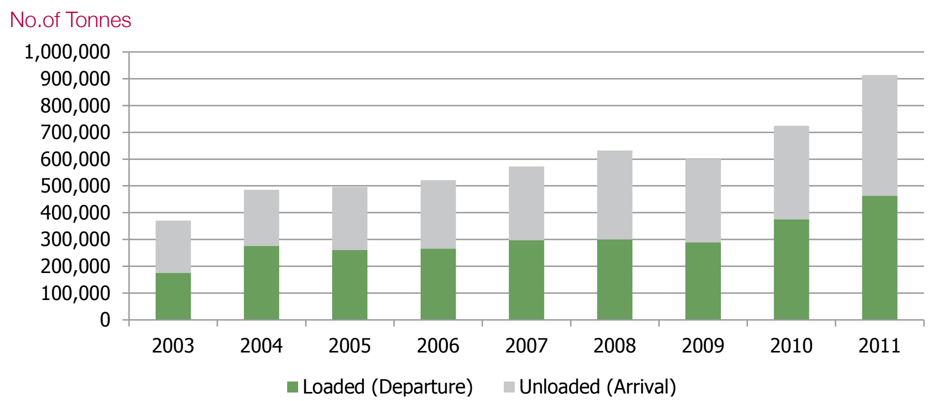
Supporting Information

Domestic Aircraft

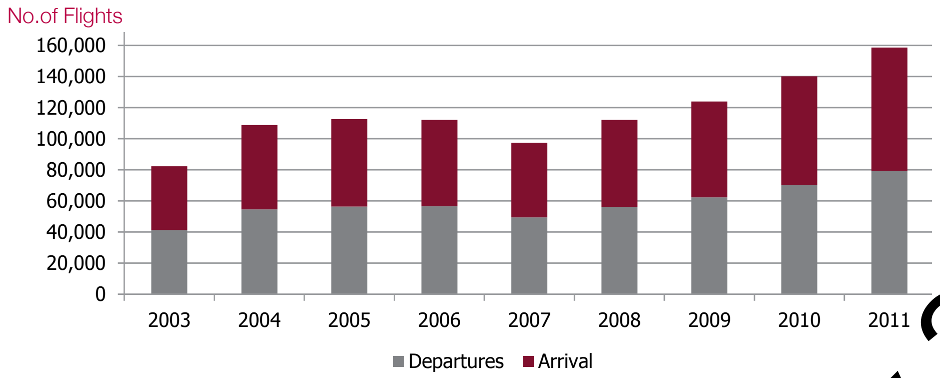
Domestic Passenger



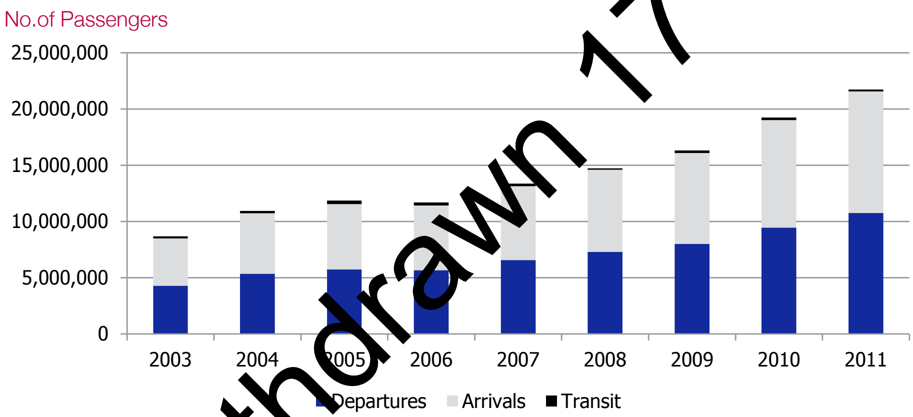
Domestic Cargo



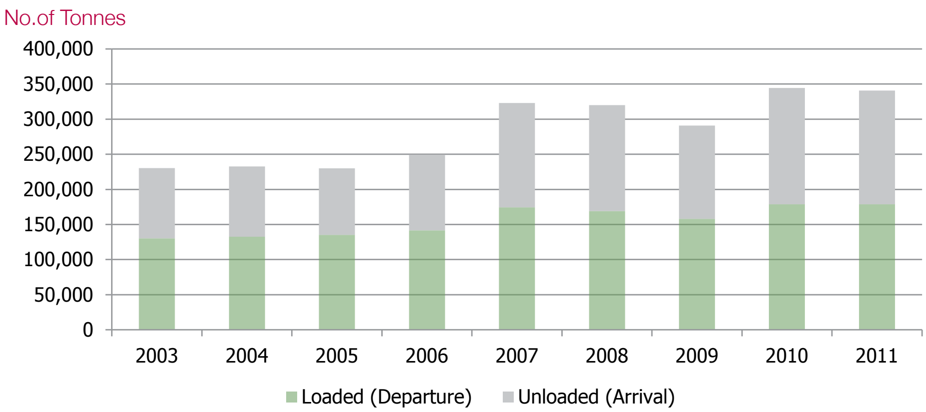
International Aircraft



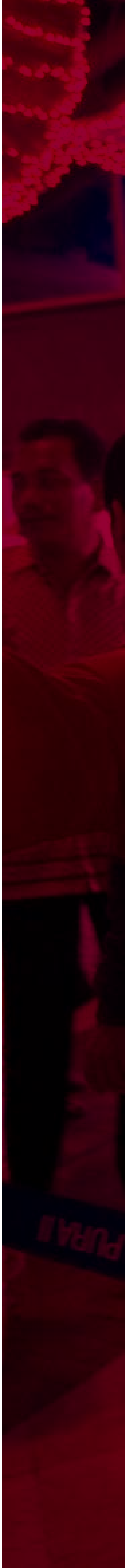
International Passenger



International Cargo



ANNEXES



Annex A: Doing business in Indonesia

UKT&I's website and report (UKT&I, 2012) "Doing business in Indonesia" should be referred to as the primary reference for UK Companies. Additional information is available in the World Bank's publication (World Bank, 2013) of the same name. The following summary highlights key information relevant to UK Companies in the aviation and airports sector, based on these sources and insight from aviation and airports sector contacts.

Business environment

UK Companies need to recognise the main pathways to business in the aviation and airports sector which is dominated by state interests via:

- Direct state funding of projects and refurbishments as per the national Masterplan (BAPPENAS, 2011); and
- State-sponsored PPP projects (BAPPENAS, 2012), in which Provincial Government interests are also significant.

The PPP market, enabled by legislation in 2009, is not yet fulfilling the government's hopes for funding much needed infrastructure. Slow progress has been made in defining the business case for projects, and in acquiring land. It has been suggested that public officials may be taking extra care not to be perceived as corrupt, further slowing progress and dampening confidence in this novel market.

Taxation

Professional tax advice is recommended for any company seeking to do business in Indonesia. Penalties for false reporting are severe, and the tax regime is complicated by regional variations as well as frequent changes.

The main classes of taxation are:

- Income Tax - regionally variable, generally banded 0% up to 30%.
- Value-Added Tax.
- Corporation Tax for companies registered in Indonesia - 25% on domestic and internationally sourced income. Resident Indonesian companies are required to withhold tax at a rate of 20% from payments to foreign companies.
- Land and Constructions Tax payable by Indonesian land title-holders - 10% of value. Non Indonesians may not legally own land but may arrange long-term assured leases from the Indonesian Central Government. As such, Foreign Nationals may not subject to the Land Tax obligation of Indonesians.
- Vehicle Tax - 1% of value.

Visa information

UK citizens need a business visa, single or multiple entry, if visiting Indonesia for normal business activities (including attending a conference/seminar) which do not involve taking up employment or receiving any payments whilst in Indonesia.

An employment visa can be issued for single entry of up to 60 days. Sponsorship by the employing organisation is required, and employment visas can take a great deal of time to obtain.

Bribery and corruption

Indonesia's Corruption Eradication Commission is perceived by UK Companies working in the country to be making progress in tackling the historically poor record on corruption in the civil service. High-profile convictions (Parlina & Gunawan, 2011) are helping deter practices that still cost the Indonesian economy trillions of Rupiah. But UK Companies should be aware of the possibility of being asked for facilitation payments or gifts in order to develop relationships.

The UK Bribery Act came into force in 2011, and applies companies that have some operations in the UK. Crimes under the Act, prosecuted by

Annex A: Doing business in Indonesia

the UK Serious Fraud Office, include individuals giving or receiving a bribe and companies failing to prevent bribery. The UK Government has published guidelines on appropriate procedures for UK Companies to take (UK Ministry of Justice, 2010).

Business etiquette

As UKT&I notes (UKT&I, 2012) Indonesia is culturally complex due to the exceptionally wide scope of peoples and customs, so sensitivity is appropriate. Care is also recommended in conforming with the norms of business behaviour including:

- Do not confront or challenge in public because maintaining face is important.
- Don't offer your left hand in greeting or use it to handle food or drink.
- Dress code is shirt and tie for men though many will wear traditional shirts.
- Shake hands with men and women in greeting; bow from waist to signify respect; exchange business cards formally.
- In meetings, refreshments will generally be offered and you should await an invitation to start. It is common to discuss non-business matters before the formal agenda.

Establishing a presence in the market

As noted by UK companies already operating in Indonesia (UKT&I, 2012) there is no substitute for senior representatives being present in the country to meet appropriate contacts, building understanding of and confidence in what is on offer and demonstrating commitment to the market. Many UK companies have established representative offices in major cities, especially Jakarta.

An organisation of any size wishing to develop business in Indonesia will need to establish relationships with public-sector procurement and delivery agencies at state- and at regional-levels as appropriate. Partners, agents and distributors can provide much-needed local advice on dealing with regulations and requirements.

When exploring the market and trying to establish a presence, it is common in many business sectors for UK Companies to use local companies as agents or distributors for goods. Local partners may be more appropriate for specialist goods and services in the aviation and airports sector.

Joint ventures between UK and Indonesian companies are subject to the rule that limits non-Indonesian involvement to 49%. These can become eligible and apply for Foreign Direct Investment (FDI) Company status in due course. Approval from the state investment planning board BKPM is required for a foreign equity company.

Indonesia's National Agency for Export Development (NAFED) imposes restrictions on imports.

Indonesia's laws relating to employees and other aspects of corporate activity are complex and changing, requiring professional advice. Some Indonesian legal practices are linked to well-known majors in the UK, EU and US. More information is available from the ASEAN Law Association (ASEAN Law Association).

Procurement processes

Public sector procurement

Reform of public sector procurement has been a key political agenda as the government has committed itself to eliminating corruption. The reform process was described by a critical OECD evaluation (OECD, 2007) which also heralded the creation of a new institution to oversee public procurement.

Annex A: Doing business in Indonesia

The Government Procurement Policy Board (LKPP) is directly responsible to the President of Republic Indonesia and coordinated by BAPPENAS. From 2013 every Ministry and Agency of the Indonesian government is required to carry out the procurement of goods and services electronically using the Electronic Procurement System (SPSE) through the National Procurement Portal (LKPP, 2013).

Info Publik is an e-catalog of public procurements available through the National Procurement Portal.

PPP procurement

The procurement of infrastructure by PPP is also novel to Indonesia. The process of PPP provision is summarised in the PPP Blue Book (BAPPENAS, 2012), setting out the criteria for:

- “Potential” projects, conforming with national and regions medium term development plans and with cost recovery potential confirmed by a preliminary study;
- “Priority” projects feasible from legal, technical and financial aspects confirmed by a pre-feasibility study and with risks identified and allocated together with the degree of government support; and
- “Ready for Offer” projects for which the bidding document has been created and the PPP procurement team and schedule established, with appropriate government approvals.

Annex B : Bibliography

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