

5th MARITIME INDONESIA
“THE NEXT MARITIME ELDORADO OF THE EAST”
INTER CONTINENTAL HOTEL- MID PLAZA
JAKARTA, MARCH 6, 2013

Keynote Speech

By Chairman of INSA

Carmelita Hartoto

Honorable Guests, Distinguished Participants, Ladies and Gentlemen

Good Morning and Selamat Pagi.

As Chairwoman of the Indonesian Shipowners Association, I am honored to welcome all of you at this prestigious event, the 5th Maritime Indonesia Conference, organized by Mare Forum, especially for those distinguished participants and friends who have travelled from overseas; this showing great appreciation and high interest towards the development of shipping industries in the region.

Welcome to Jakarta, Indonesia – The Next Maritime El Dorado of The East.

In the midst of turbulent world economic conditions, Indonesia’s growth and investment potential is increasingly attractive. Authorities and government bodies are to seek leverage on the economy’s key competitive advantages to attract long-term investment needed to realize their goal of turning the country into one of the top 10 economics by 2025.

Already at the level of GDP reached USD 1 Trillion in 2012, Indonesia is the largest growing economy in Southeast Asia. Among the G20 members, Indonesia is the second country with the highest growth rate after China, at 6.3%. And Indonesian economic growth will continue to maintain above 6% through 2015. Additionally, in the last decade Indonesia succeeded in lowering its debt level and improved its credit rating affirmed by Moody & Fitch in early of

2012. Foreign direct investment in 2011 recorded at USD 20 billion of which transportation placed among the biggest portion.

With Asia widely expected to contribute some 50% of global growth over the next five years, Indonesia's changing trade and investment flows are in the process of adapting to new partners in the region. Furthermore, the government's strong record in prudent macro-economic management has added to the sustainability of the archipelago's long recognized growth story.

Ladies and Gentlemen,

Marine transportation sector is the largest gain in foreign direct capital placement and GDP growth in sea transport sector, Indonesia is projected to reach average of 26.1% per year. Conditions mentioned above, among others resulting from the impact of cabotage principle of which policy was implemented since 2005. And in the year 2011, marks the implementation of the State Act No. 17 /2008 shipping law, a far-reaching reform of marine transport that provides space for foreign sectors participation in the infrastructure development.

Cabotage Principle rooted in the conception that marine transport activities in the country are part of a strategic force in order to defend the sovereignty of the state and not solely related to the economy or economic protection.

However, the principle of cabotage in Indonesia is also NOT intended to expel or ban foreign investors to commerce and operate in Indonesian waters. Implementation of the cabotage principle in Indonesia aspire to encourage national and foreign entrepreneurs to invest in Indonesia, which is expected to cause widespread impacts to other sectors in Indonesia so as to increase state revenues.

Distinguished Guests,

We are glad to report that from 2005 until October 2012, the number of Indonesian flagged fleet had reached to 11.620 units with total capacity of 16.08 million Gross Tonnage (GT), distend by 92,4% compared to March of 2005 with total fleet of 6,014 unit and 6 million GT. While total investment ship in the last 7 years has reached up to USD 14 billion. Along with

the increase of the national fleet, the number of domestic cargo transported by the red and white flagged carrier also increased to 98.8% compared to 2005 by 55.5%.

Specifically for the Offshore sector, the Indonesian Government is still extending some lenience to use foreign ships. This is in reference and accordance to the Ministerial Regulation No.48 of 2011 and the cabotage roadmap which is grouped into 6 (six) types of activities and several types of vessels to be completed by the year 2015.

The population of offshore type of vessels continues to increase from year to year in line with the growing request of the procurement tenders for vessels through PSC (KKKS). The shipping industry continues to encourage achieving long-term contract scheme, so that to help fulfill the requirements to use national crew and vessels.

The strong commitment of the Government to implement the cabotage principle can consistently seen by carrying out the deadline in using foreign vessels for several types of vessels which are AHTS, PSV and DSV in Offshore Operations Supporting activities on December 31, 2012.

INSA is very appreciative of the government policy in this case the Ministry of Transportation, to apply the rules consistently and consequently, because the Legal Certainty and enforcement is very crucial for all business makers, including foreign investors and local shipping sector.

We should be constantly reminded, that the principle of cabotage has a strong legal basis that binds to all those who are in the territory of Indonesia. On the other hand in this current era of openness as Indonesian society as social control is more critical and daring to express opinions in the event of deviations from the regulations.

Ladies and Gentlemen,

As we have informed earlier that the cabotage principle played part for national fleet to secure domestic cargo transport by 98.8%, however, national carrier only manage to get a small fraction of the total amount of export and import cargo of 9% out of the total of 567 million tons in 2011. Indonesia's overseas transport (export-import) potentials climbed nearly to 700

million tons per year. This is both a challenge and also can be a stimulus to boost the growth of the shipping sector.

With the growing number of overseas cargo, the government seizes an opportunity to increase revenue through increased foreign exchange value of export transactions. In relation to the above, Ministry of Trade has been pushing for the use of Terms of Delivery Costs insurance freight (CIF) in export activities, and on February 27, 2013, MOU has been signed between the Ministry of Trade and the Indonesian Export Financing Agency, PT Indonesian Export Insurance, Chamber of Commerce, APINDO, INSA, GAPEKSI and ALFI.

In connection with the above mentioned conditions, INSA invite all businesses, shareholders and investors, both foreign and local, to jointly formulate and accelerate the implementation of foreign sea transport or better known as "BEYOND CABOTAGE".

Beyond Cabotage prioritizes freight exporters and importers to use the red and white flag vessels that are manned by Indonesian crew. Ownership of ships operating to support the Beyond Cabotage must be in accordance with the provisions stipulated in Law no. 17 of 2008.

Ladies and Gentlemen,

Indonesia is amongst countries that have signed the ASEAN Connectivity as such the consequences is the readiness of the national shipping community to compete with foreign shipping companies. In this regard, INSA has been coordinating with the government to take substantial steps to enhance the competitiveness of national sea transport sectors, among others, by the reduction of fiscal policy, lower interest rates and increased port infrastructure. Based on the World Bank survey reports in 2012, the competitiveness of logistics (Logistics Performance Index / LPI) Indonesia ranked at 59 out of 155 countries compared to in 2011 at 75th. It is expected that this will encourage the government to accelerate the process of modernization of ports in Indonesia, because the port infrastructure is instrumental in the logistics chain, and even as the key driver for Indonesia to reduce logistics costs significantly.

With better economic conditions in Indonesia and supported by consistent implementation of policy by the government, we are very optimistic that national shipping industry will continue to provide an exciting and promising prospects. INSA as an association whose existence is recognized by the government is ready to bridge the interests of shipping and business-related stakeholders, including local and foreign investors who want to invest in Indonesia.

Again, I would like to congratulate and thank all committee members for their big efforts in making this event. I can't stress enough the importance of such forum where vision and dreams will be realized through designing ideas, explorations and collaborations.

Thank you.