ASOSIASI KONTRAKTOR INDONESIA
INDONESIAN CONTRACTORS ASSOCIATION

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Country Report by Indonesian Contractors Association

I. Overview of the Macroeconomy and the Construction Industry

Current Economy

Indonesia continues to post significant economic growth. The country's gross national income per capita has steadily risen. In terms of macroeconomic stability, Indonesia has managed to fulfill many of its fiscal targets, including a significant drop in Debt-to-GDP ratio from 61 percent in 2003 to 26 percent in 2013.

Indonesia has formulated a long-term development plan, which spans from 2005 to 2025. It is segmented into 5-year medium-term plans, each with different development priorities. The current medium-term development plan covering 2009-2014 is the second phase and focuses on:

- Promoting quality of human resources
- Development of science an technology
- Strengthening economic competitiveness

However, considerable challenges remain.

Out of a population of 237 million, more than 28 million Indonesians currently live below the poverty line and approximately half of all households remain clustered around the national poverty line set at 200,262 rupiahs per month ($16.6).

Employment growth has been slower than population growth. Public services remain inadequate by middle income standards. Indonesia also doing poorly in a number of health and infrastructure related indicators, and as a result, may fail to reach some Millennium Development Goals (MDG) targets.

For example, data from 2013 shows that Indonesia still suffers 228 deaths for every 100,000 live births, while MDG aims to reduce this to 105 deaths by 2015. Maternal mortality remains high, and may be an MDG target that will not be meeting.

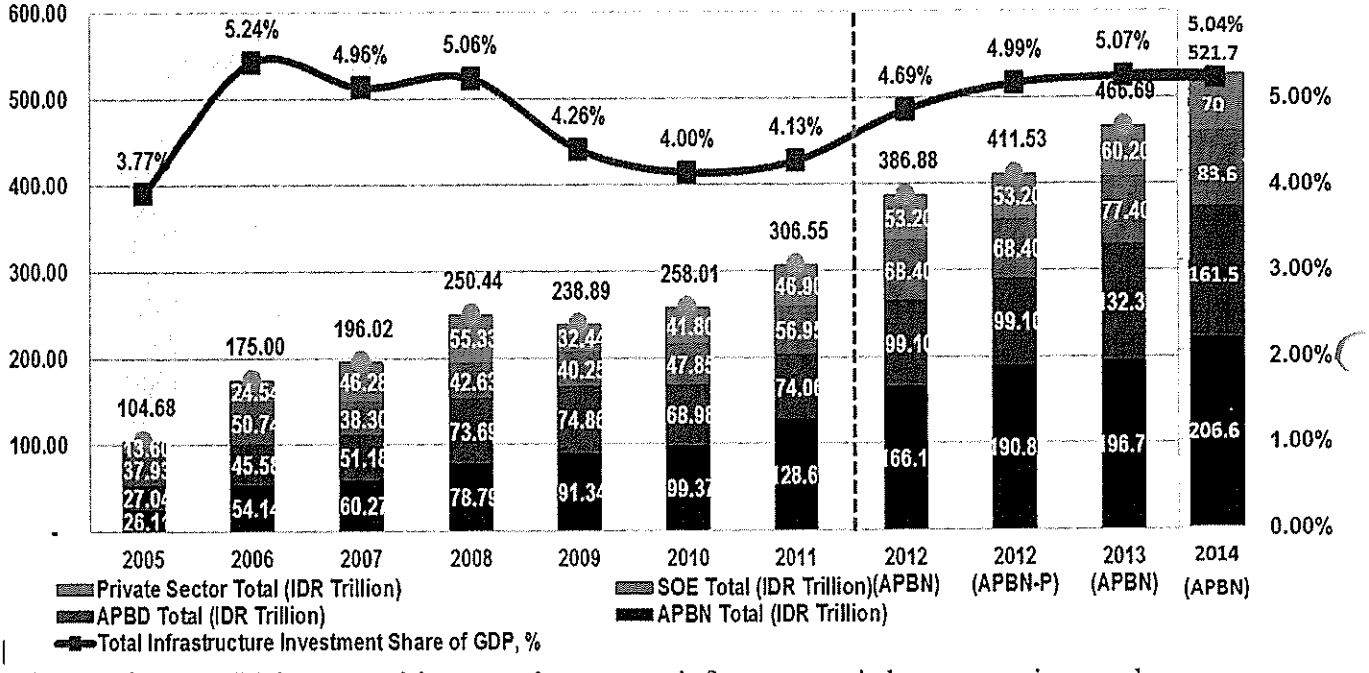
Also despite recent progress, access to improved sanitation facilities currently stands at 68 percent of the population, which remains significantly short of the MDG target of 86 percent.

The investment climate, though still positive, may also be impeded continued regulatory uncertainties, shortcomings in infrastructure provision, and adjustments in minimum wages.

Inflation in 2015 predicted will come within the 6.01% - 7.00% range (mpe: 6.46, yoy), similar with the 6.47% (yoy) level envisaged in the previous quarterly survey and surpassing the 2015 inflation targeting range of 4.0±1% (yoy). The inflation in 2015 most likely influenced by an increase in subsidized fuel prices, performance in the exchange rate and adequate availability of goods.

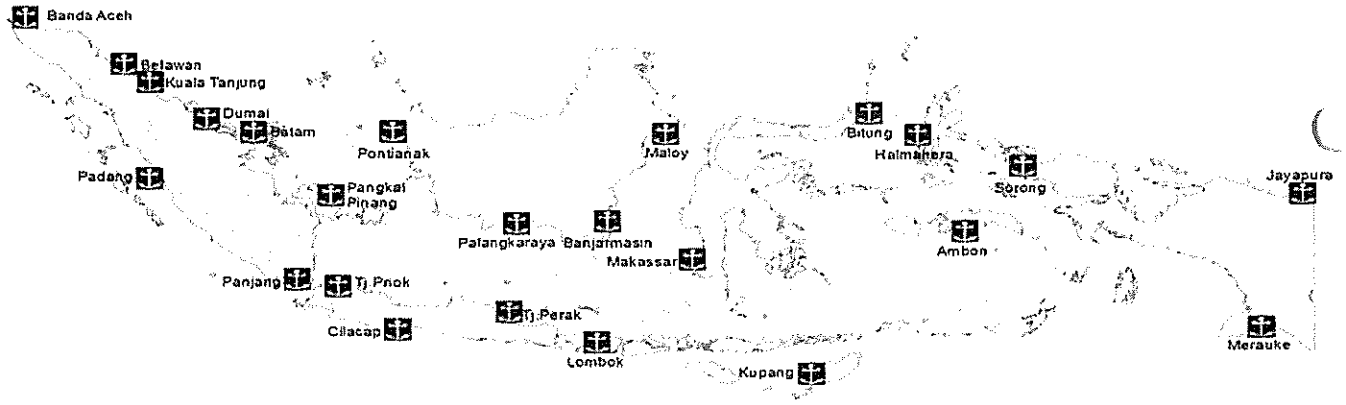
While economic growth in 2015 predicted within the range of 5.51% - 6.00% (mpe: 5.76%, yoy), ahead of the previous quarter's forecast of 5.14% (yoy) and within the 5.40%-5.80% range projected by Bank Indonesia. Factor seen likely to influence the rate of growth include the condition of the global economy, investment growth and positive performance in the balance of trade.

Construction National



Priority of RPJMN 3 is competitiveness, thus proper infrastructure is become main agenda especially for basic infrastructure (roads, water, and electricity).

Following are the planning for infrastructure project period 2015 – 2019:



Road:

- 2,350 KM new road
- 1,000 KM new toll road
- 46,770 KM road maintenance

Airport:

- 15 New airport
- 20 New small plane for new route – remote area
- Airport expansion for air cargo at 6 location airport

Seaport:

- 24 new sea port
- 26 new cargo ship for new route – remote area
- 2 new ship for livestock only
- 500 units new ships
- 60 new crossway seaports
- 50 new ferry ships

Rail train project in Sumatera, Sulawesi and Kalimantan Island:

- 2,159 KM rail route connecting city
- 1,099 KM rail route inside the city

Public Transportation

- New BRT in 29 Cities
- Development of mass rapid transportation at Urban area, 6 metropolitan cities and 17 big cities.

Irrigation

- Construction of 65 new dams and 33 PLTA (Power Plant)
- Expansion and construction irrigation to 1 million ha
- Rehabilitation of 3 million ha current irrigation system

Energy

- Construction of 2 processing facilities with capacity of 300,000 barrels
- Construction of FSRU at 5 locations in West Java / DKI Jakarta, Central Java, East Java, North Sumatera, and Lampung.
- 90,000 gas connection to housing
- Construction of 75 units gas station
- Electrification ratio is up to 96,6%
- 35,000 MW power plant
- Gas for 600,000 fisherman

Technology Telecommunication

- 100% broadband connection to reach region and small cities
- E-government index increasing to 3.4 from 4.0 scale
- Development of e-procurement, e-education, e-health system and e-logistic

Housing

- Construction of Rusunawa 5,257 twin block for 515,711 families
- Stimulant financial for public housing for 5.5 million families.
- Manage and handling 37,407 ha slum area
- Credit facility for 2.5 million low-income families.

Water Supply

- Construction of water supply at urban area to connecting 21.4 million house with capacity 268,680 liter/ second
- Construction of water supply at rural area with 11.1 million connections in 22,647 rural areas.

- Construction of communal water waste system at 227 cities and centralized at 430 cities.
- Construction of blackwater waste system at 409 cities
- Construction of sanitary landfill and recycle facility at 341 cities
- Reducing 22,500 water pools at housing area.

Power plant planning

State Owned PLN

Year	Total Location	Total Capacity (MW)
2015	24	2,095
2016	33	1,933
2017	43	4,885
2018	27	3,746
2019	16	4,413
TOTAL	143	17,072

Power plant IPP

Year	Total Location	Total Capacity (MW)
2015	13	1,484
2016	28	1,526
2017	25	1,744
2018	31	5,381
2019	31	8,012
TOTAL	128	18,147

Other than above power plant, PLN also planning to construct power plant for small islands:

- Power plant using gas energy distributed by mini-LNG with ice as additional product. It can be use by fisherman.
- Power plant using coal energy distributed liquid, IPP using Japanese technology. This power plant still under review by the government.
- Power plant using biomass

SOME PPP OPPORTUNITIES IN THE PROVISION OF INFRASTRUCTURE

List of Strategic Infrastructure Project

ROAD TOL TRANS SUMATERA

- Length: about 1,980 km
- Connecting 7 main cities in Sumatera Island, 5 airports and 6 main seaports.
- Part of ASEAN/ ASIAN Highways

Corridor		Length	Expediency Parameter		
		KM	B/C	NPV (Bill Rp)	IRR (%)
Main Corridor	Lampung – Palembang (phase 1)	358	1.32	5,316	16.69
	Palembang - Pekanbaru (phase 2)	610	0.89	-3,154	12.9
	Pekanbaru - Medan (phase 1)	548	1.02	543	15.62
	Medan - Banda Aceh (Phase 3)	460	0.66	-8,593	9.05
SUB TOTAL		1,976			
Connection Corridor	Palembang – Bengkulu (Phase 3)	303	0.53	-10,958	8.87
	Pekanbaru - Padang (Phase 2)	242	0.67	-8,419	9.78
	Medan – Sibolga (Phase 3)	175	0.42	-10,528	6.77
SUB TOTAL		720			
GRAND TOTAL		2,696			

Tol Segment	Length	Investment
	KM	(USD M)
Medan – Binjai	16.8	114.72
Pekanbaru – Dumai	126	952
Palembang – Indralaya	22	209.44
Bakauheni - Terbanggi Besar	139	1,031.20
Total	**303.8**	**2,037.36**

SEAPORT CILAMAYA & ROAD ACCESS

Development of Cilamaya seaport as implementation of MP3EI and National Seaport logistic system blue print to carry over logistic load from and to Java Island. The seaport was design to anticipate sea level rise at the north Java shore because of global warming. The new port supposes to solve over-capacity problem at Tanjung Priok and reducing traffic to Tanjung Priok.

- Location: Karawang – West Java
- Budget:
- Current Status:
  - The project is flagship Metropolitan Priority Area
  - Unfinished road tracing and a problem with the path of shipping route around the seaport since there are so many gas operations.
  - A study from independent consultant recommended to adjust the development of Cilamaya seaport as follow:
    - Seaport location shifted 2-3 km from the original location
    - The shifting will affected to the budget increment. The excess budget would be abt USD 105 – 120 million will bear by the Transportation Ministry of Republic Indonesia. While the revenue loss opportunity as much as USD 12 billion will be bear by the Government of Indonesia.
    - Economic profit would be about USD 65 Billion.

KERTAJATI Airport

Investment requirement

	Rp / M
Air Equipment Facility	242
Land Equipment Facility	298
Flight Navigation Equipment	14.56
Landing Support Equipment	3.28
Flight Communication Equipment	1.12
Total Investment	558.96

Current Status:

- Land relinquishment progress is 940 hectare from total 1,800 ha. The purpose of the airport development is to reduce traffic at Husein Sastranegara Airport and Soekarno Hatta Airport.
- The airport development will use investment from national budget and regional budget.
- Project value: Rp. 7,028 M
- The 2,500 m runway project has been start since 2012 scheduled to be finish latest on mid 2016
- The problem is still at financing method for terminal building stage and other land facilities, the same will use budget from regional obligation, Angkasa Pura II and investors, which are still on progress. Still need confirmation from the investors.

II. Update / Issues related to the Construction industry in the country

REGULATIONS ON FOREIGN BUSINESS ENTITY

a. Market Access Limitation (Mode 3)
   - Foreign Service Provider(s) shall establish Representatives Office (RO) in Indonesia;
   - Foreign Service Provider(s) shall be in the form of Joint Operation (JO) or Joint venture (JV) with Indonesia Construction Company(ies) holding registration certificate as a big company issued by the National Construction Services Development Board (NCSDB);
   - There is no limitation of Foreign Capital Share for JO;
   - JV Company shall be in the form of Limited Liability Company (LLC) with a maximum foreign capital share of 55% for constructing company and 49% for consulting company.

b. National Treatment (Mode 3)
   - License Fee Requirements

c. Business Requirements (Act No. 18/1999)
   - To conduct construction business in Indonesia, any construction company, including Foreign construction Company who is willing to form JO, shall be registered at NCSDB and obtain Business License from the government;
   - JV Company shall be registered at NCSDB and obtain Business License from the Indonesia Investment Coordinating Board (BKPM).

LIMITATIONS IN GOVERNMENT PROCUREMENT

In accordance to Presidential Regulation No. 54/2010 and its amendment No. 70/2012, Foreign Company (ies) is (are) only allowed to participate a tender for a project with the value of:

- Rp 100 Billion (US$ 10.87 Million) and above for constructing services;

- Rp 10 Billion (US$ 1.087 Million) and above for consulting services.

MATERIAL PRICE

NO	MATERIAL	UNIT	PRICE RANGE (USD)	
		Ready Mix Concrete		
1	Concrete fc 50	m3	109.65	115.25
2	Concrete fc 45	m3	101.45	106.10
3	Concrete fc 40	m3	94.35	100.35
4	Concrete fc 30	m3	86.50	93.45
5	Concrete fc 25	m3	83.20	88.65
6	Concrete fc 20	m3	78.50	84.75
		Reinforcement bar		
1	6 mm - 10 mm	ton	770	840
2	12 mm	ton	770	840
3	16 mm - 25 mm	ton	770	840
		Sand		
1	Filling Sand	m3	14.7	17.5
2	Silica Sand	m3	24.06	28.90
3	Concrete Sand	m3	24.31	29.10
4	Coarse Sand	m3	11.75	13.90
		Brickwork		
1	Red Brick - Large	pcs	0.08	0.11
2	Red Brick - Small	pcs	0.05	0.07
3	Kuosin Brick	pcs	0.08	0.12
		Cement		
1	White Mortar TR30	40kg/bag	5.80	7.00
2	Colored Cement	kg	0.21	0.25
3	Portland Cement	50kg/bag	6.00	7.30
4	Portland Cement	40kg/bag	4.80	5.80
		Timber		
1	Timber Borneo Super 4/5, 5/7	m3	179.80	215.70

2	Timber Meranti Mix 4/5, 5/7	m3	225.60	270.30
3	Timber Kamper 4/6, 5/7	m3	535.20	640.30
		Wiremesh		
1	BRC M4	m2	1.40	1.70
2	BRC M5	m2	1.90	2.40
3	BRC M6	m2	2.85	3.60
4	BRC M7	m2	3.95	4.85
5	BRC M8	m2	5.20	6.45
6	BRC M9	m2	6.70	7.90
7	BRC M10	m2	8.30	9.90
	EXCLUDE 10 % TAX			