



# ASIA-PACIFIC TRADE FACILITATION FORUM 2017



# Behind the Border Logistics Challenges and Measures in Indonesia.

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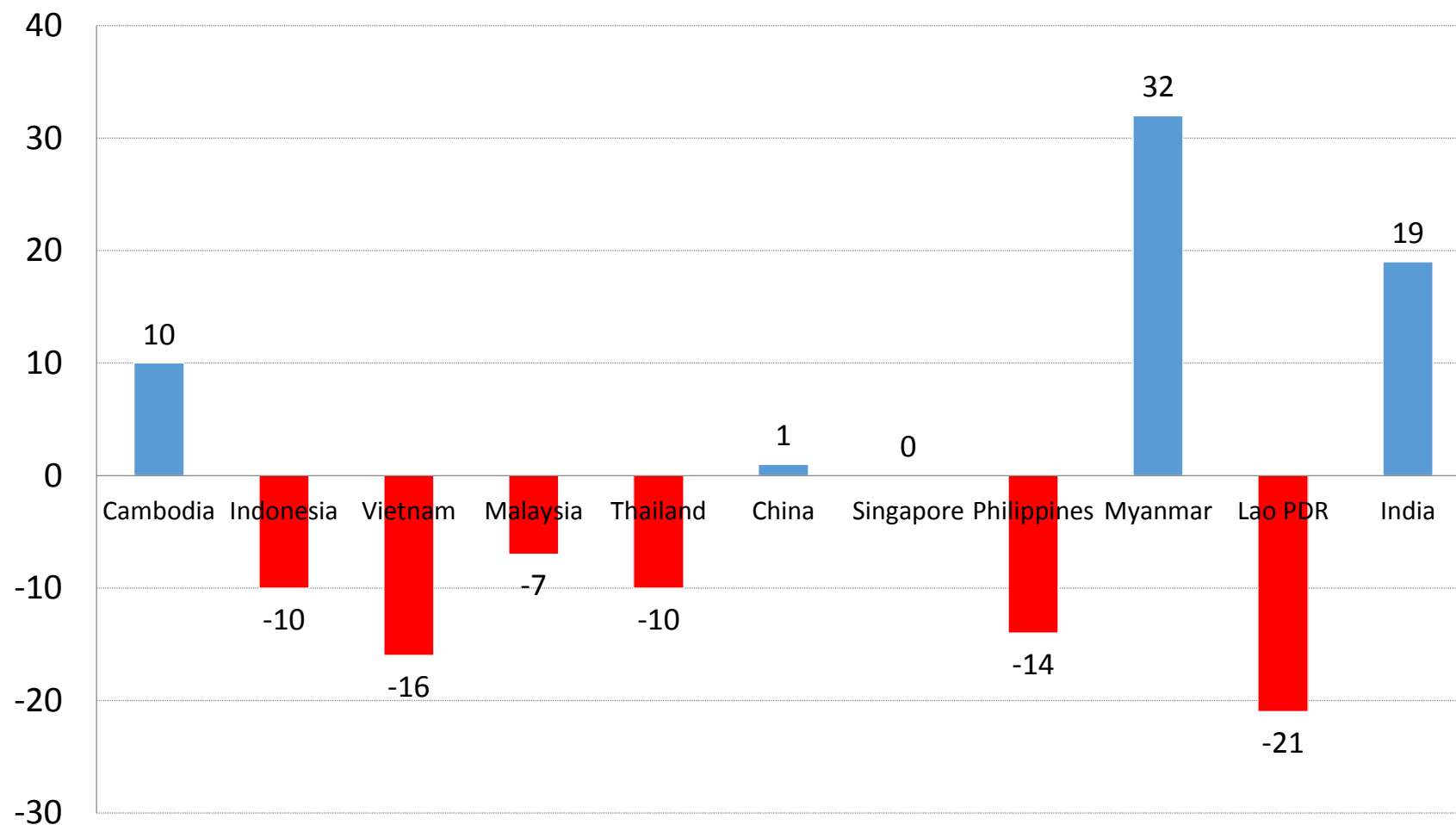
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# Logistics behind the border challenges impact on competitiveness



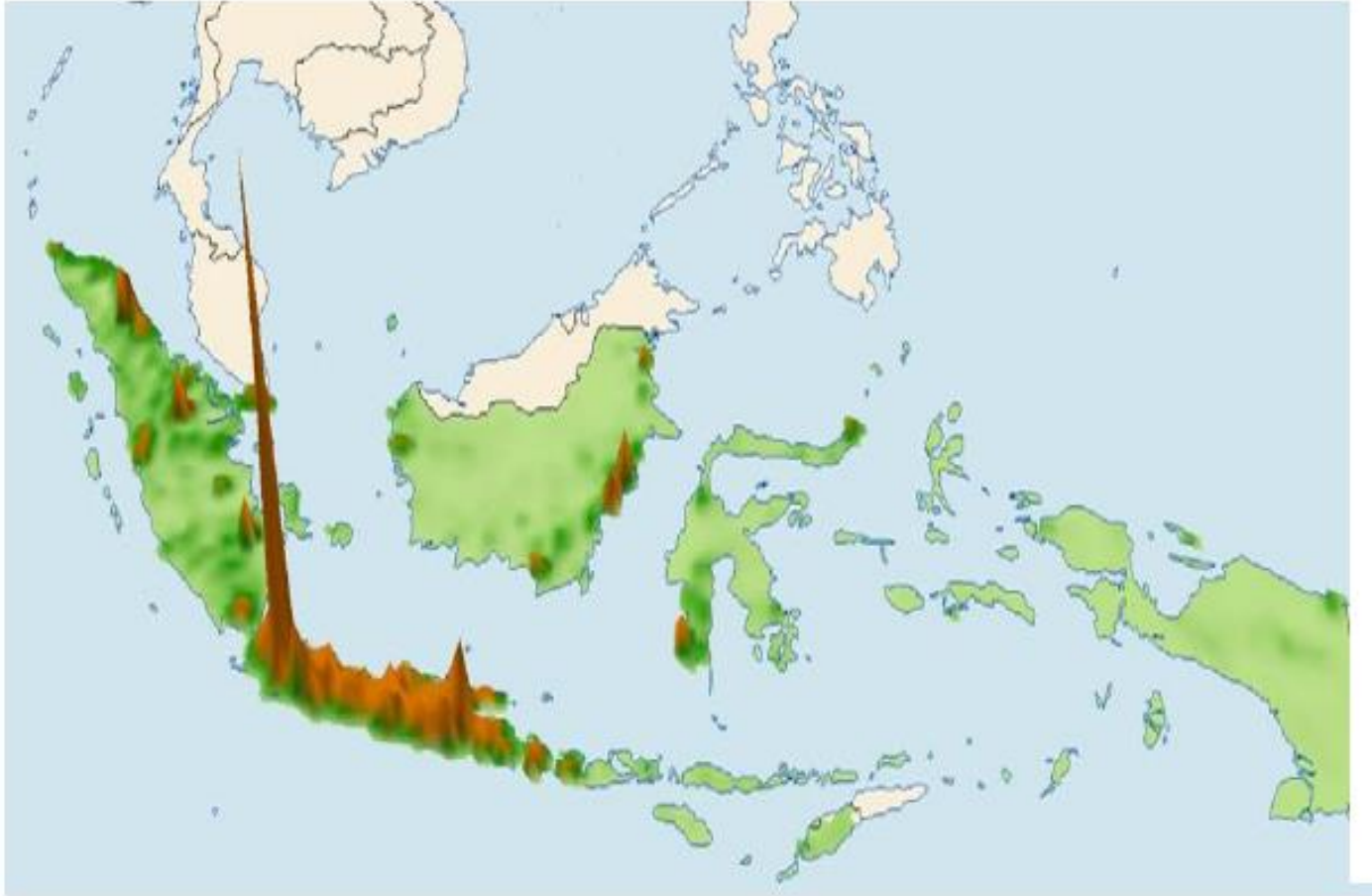
# Changes in Ranking LPI 2014-2016 for Indonesia and ASEAN + China



# Logistics in an Archipelago. A Framework

Intra-island logistics	Inter-island logistics	International logistics
Uncertainty in delivery due to either congestion or absence of quality roads	Unreliability of domestic shipping due to poor performance of ports	High costs and uncertainty to export according to schedule
Minimal presence of railway services	Serious backhaul problem with ships returning to Java filled for 30 percent only	The time it takes to import a container is uncertain.
Absence of short-sea shipping	Standard supply chains from Java to Eastern Indonesia complex	Import dwelling time is much lower but has it reduced logistics costs we do not know
Backhaul issues in road transport	Broadband to Eastern Indonesia significantly delayed	

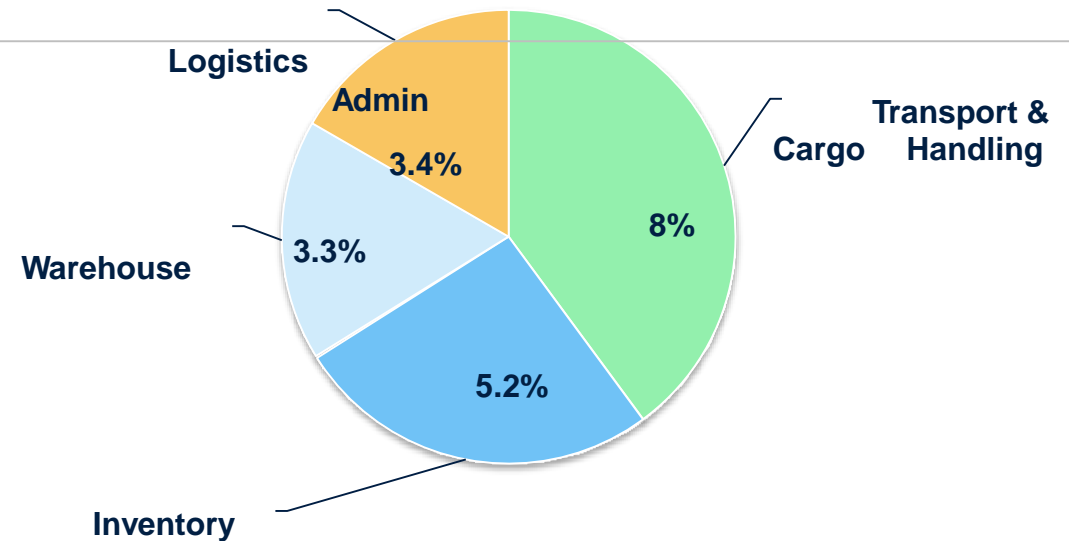
# Concentration of economic development in Indonesia



# Transport costs only explains 17% of the logistic costs in Indonesia

- **Logistics cost/sales is more precise than logistics cost/GDP** . This concept measures at the micro level
- Countries that use logistics cost/sales include Japan, Finland and Germany
- Survey of 205 firms in Jakarta, Bekasi, Semarang, Surabaya, Medan, and suggests that **logistics cost/sales of Indonesian manufactures is around 19-20%**, which is higher than in Thailand and Malaysia (15% and 13%)
- Survey suggests that **inventory carrying cost contributes to 26% of logistics cost incurred by Indonesian manufacturers**

Components of Logistics Cost/Sales (%) Total Logistics Cost/Sales = 20%



N = 75

Source: WB & LPEM-FEUI survey in 5 cities in Indonesia

# Some facts about the state of logistics in Indonesia

## Intra-Island Logistics

- Indonesia's logistics cost account for 20% of manufacturing sales in West Java versus 14% in Thailand
- Inventory costs=26% of logistics costs in Indonesia versus 16% in Thailand and 13% in Malaysia
- Trucks traveling between West Java and the port of Jakarta can now only do one round trip per day. Five years ago they could do two road trips



# Some facts about the state of logistics in Indonesia

## Inter-Island Logistics

- Transport costs from Java to other islands are high because of inefficient ports but sea freight costs are competitive



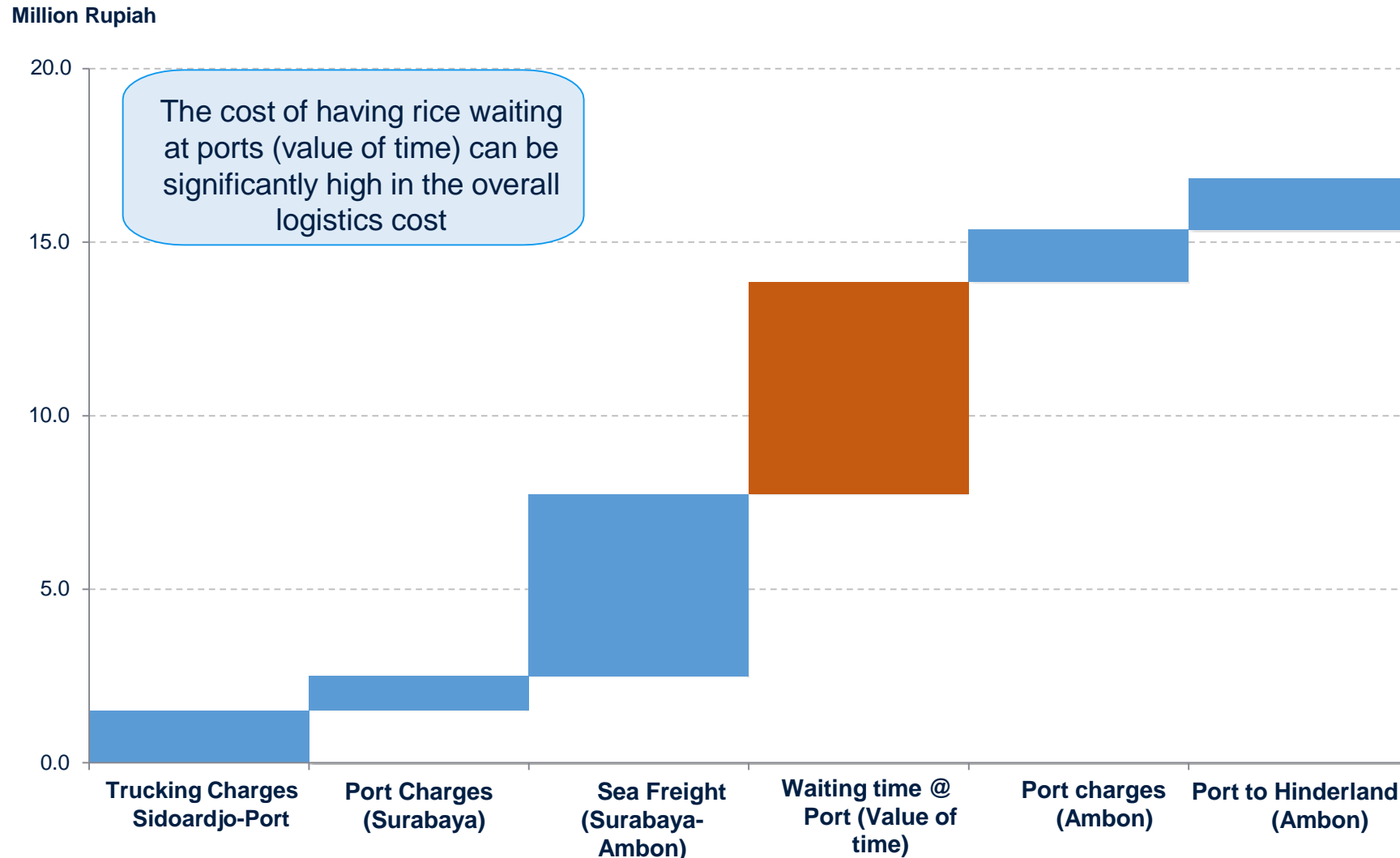
# To Eastern Indonesia: Ships Have A Long Turnaround Time

The time spent at some ports is sometimes as much as half of the sailing time (ex. Belawan-Jakarta, Surabaya-Makassar)

To reduce logistics costs one needs to tackle costs incurred in ports rather than sea freight costs

Port of destination	Waiting time	Time at berth (effective)	Time at berth (idle)	Turnaround time	Container Handling Charges
Sorong	24 hours	16-21 hours	10 hours	50-89 hours	IDR2,168,290
Jayapura	24 to 72 hours	48 hours	60 hours	72 to 96 hours	IDR1,840,094

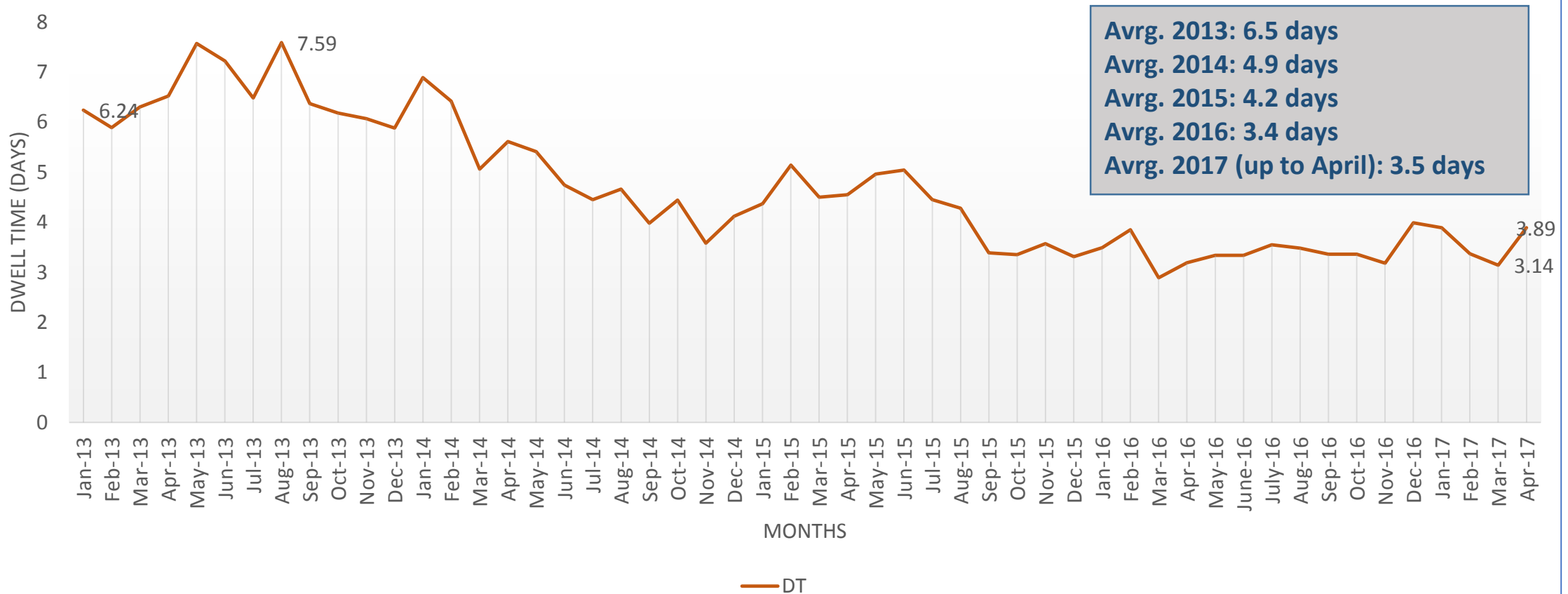
# Example: Logistics cost scenario for 1 TEU of rice from Surabaya to Ambon



Source: WB Survey of shipping liner 2014, Ministry of Trade survey 2014

# International Logistics: Dwell Time in the Port of Jakarta

## Import Dwell Time in Tanjung Priok Port



# Can we tackle behind the Border Logistics?

In an archipelago → Improve intra-island and inter-island logistics

A key issue is the same as in most emerging economies: **How to find breakthroughs in infrastructure financing**

- Select priorities
- Promote greater participation of the private sector (PPP)
- Promote higher investments by sub-national governments
- Land acquisition.....
- But do not underestimate the importance of regulatory reform

NO.	DOCUMENT	QUANTITY	UNITS
1	PENGISIAN FORM	37	
2	SURAT PERMOHONAN	24	
3	KTP	47	copies
4	AKTE PENDIRIAN	45	set
5	SK MENKUMHAM	44	copies
6	DOMISILI	43	copies
7	NPWP	42	copies
8	FOTO DIREKTUR	13	pcs
9	SIUP	42	copies
10	TDP	41	copies
11	KADIN	41	copies
12	LAYOUT LOKASI/SITUASI	24	copies
13	SURVEY LOKASI	24	times
14	INFORMASI PERUNTUKAN LAHAN	0	copies
15	ADVICE PLANNING	21	set
16	PERTIMBANGAN TEKNIS BPN	18	set
17	PEMBEBASAN LAHAN	4	set
18	IJIN LOKASI/P2R	19	set
19	SOSIALISASI WARGA	11	set
20	PENSERTIPIKAT/PENGGABUNGAN	9	set
21	AKTE KEPEMILIKAN	18	set
22	PERTEK KKOP	0	
23	KKOP	0	
24	PEIL BANJIR	14	set
25	GARIS SEMPADAN SALURAN	13	set
26	PEMAKAI KEKAYAAN DAERAH (JEMBATAN/AKSES JALAN)	12	set



Regulatory  
requirements for  
investment

NO.	DOCUMENT	QUANTITY	UNITS
27	GAMBAR DRAINASE	4	set
28	REKOMENDASI KAJIAN DRAINASE	12	set
29	BERITA ACARA SOSIALISASI/KONSULTASI PUBLIK AMDAL	9	set
30	BERITA ACARA KERANGKA ACUAN ANDAL	3	set
31	BERITA ACARA ANDAL & RKL-RPL	3	set
32	REKOMENDASI DAMPAK ANALISIS LINGKUNGAN	14	set
33	TAMPAK BANGUNAN	3	set
34	POTONGAN BANGUNAN	3	set
35	GAMBAR DETAIL BANGUNAN	4	set
36	GAMBAR RENCANA SANITASI DAN LISTRIK/MEP	4	set
37	PERHITUNGAN KONSTRUKSI	3	
38	KLARIFIKASI KONSTRUKSI BANGUNAN DARI PU	1	
39	GAMBAR SITE LOKASI MESIN	1	set
40	GAMBAR ANDALALIN	4	set
41	BERITA ACARA RAPAT ANALISIS DAMPAK LALU LINTAS	4	set
42	PERSETUJUAN REKOMENDASI ANALISIS DAMPAK LALU LINTAS	12	set
43	BERITA ACARA RAPAT PEMBAHASAN SITEPLAN	3	set
44	PERSETUJUAN RENCANA TAPAK (SITEPLAN)/SK	11	set
45	PERUBAHAN STATUS TANAH SAWAH	5	set
46	IJIN MENDIRIKAN BANGUNAN	8	set
47	IJIN GANGGUAN (HO)	7	set
48	TDI/TDP/TDUP	5	set
49	IJIN I PAL	1	set
50	PUNGUTAN RETRIBUSI/PMBP/PAJAK PUSAT DAN DAERAH	8	set
51	IJIN PRODUKSI	3	set
52	IJIN SNI	2	set
53	IJIN EDAR	1	set

(Cont'd)

# How can we tackle behind the Border Logistics?

However, this does not mean that nothing can be done in the short-run...

**Regulatory reform is another key priority that currently receives World Bank support**

- Simplification of licensing
- Embedment of logistics policies in the working programs of line ministries
- Mainstream regulatory impact analysis
- Recent economic packages issued to improve logistics include many measures that await implementation by line ministries
- WB estimates are that logistics costs (as a percentage of sales) can be reduced by 20 percent by carrying out key logistics reforms.

# Thank you



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