Samudera turnaround as economy chugs along

By Ramadas Rao
Singapore

- Indonesia, with over 17,000 islands girdling the resource rich archipelago, is an economy that along with its Asian counterparts is seen as triggering a recovery of the recession-mangled West.

"The recession more or less bypassed Asian economies," Dhrubajyoti Das, executive director of Samudera Shipping Line told Cargonews Asia. Samudera, headquartered in Jakarta, but listed in Singapore, has risen from humble beginnings.

Asian economies, such as Indonesia, with a huge domestic economic base, kept "chugging along'' during the recession, as Das put it.

Indonesia GDP growth is forecast to nudge six percent in 2010 rising to 6.3 percent in 2011, President Susilo Bambang Yudhoyono said recently. He said in his Budget speech, domestic consumption, international trade and new investment continue to show improvement. Other macroeconomic indicators, including a healthy balance of payments, strengthening national currency and low inflation have also contributed to uplifting sentiment.

A buoyant economy is also good news for shipping. Samudera saw a turnaround in its financial results with second quarter net profit of US$600,000 for the three months ending 30 June after three consecutive quarters of net losses. Revenue rose almost 10 percent to $90 million, mainly due to better vessel utilisation for the container shipping business and a near 11 percent increase in container volumes handled.

"Our ability to respond quickly and nimbly to market conditions along with a gradual improvement in global trade activity, enabled us to post a turnaround in net profit," said David Batubara, executive director and chief executive officer of Samudera. He also attributed the improved results to recovery in global trade and successful measures by global operators to reduce supply of container ships in the industry.

Das does not view the improvement as a one-off trend. "There has been a progressive improvement in volumes while rates have also improved since the third and fourth quarters of 2009," he said. "We are seeing a gradual recovery."

Feeder volumes account for 80 percent of Samudera's total volumes while the rest is made up of intra-Asia cargo. Regional Container Lines, another major player in the intra-Asia routes, has also reported improved financial results though it has yet to swing into the black.

"Freight rates are holding firm despite the increase in new capacity from newbuildings and an idle fleet," the Thai-based and listed shipping line observed.

"Confidence is rising in the shipping industry," asserts RCL, attributing the recovery in global trade to China's robust growth.Improved liftings and revenues in the second quarter of 2010 were partly offset by high bunker costs. Still RCL managed to narrow down losses by 44 percent in the second quarter compared to losses in the previous quarter. For the six months, the group cut losses by almost half to about $17 million.

Endemic problems, however, remain. Infrastructure bottlenecks threaten to undermine the growth story. Secretary-general of the Indonesia Shippers' Council Rachim Kartabrata draws attention to the stuttering infrastructure at ports, delays in Customs clearance and inadequate rail-road connectivity.

"Inefficiencies abound and some of the ports have very poor equipment such as cranes," he told Cargonews Asia, but clarified that the comments do not apply to the top few such as Tanjung Priok and Tanjung Perak. Industry sources also see corruption as holding up progress by dampening investor sentiment.

A recent spot check by a team of central ministers led by co-coordinating economic minister Hatta Rajasa seems to have confirmed the worst fears. The delegation was shocked at the lack of progress at the North Sumatran port of Belawan, Indonesia's third biggest port. Belawan ships out mainly crude palm oil, but is also a regular port of call for container feeder lines. Handling capacity is said to have stagnated with little progress since 2006.

It is not as if the government is not addressing port efficiency. But steps such as a high profile launch of 24-hour, seven day a week operations at the country's top four ports of Tanjung Priok (Jakarta). Tanjung Perak (Surabaya), Belawan (Medan) and Makassar (South Sulawesi) have been viewed by commentators with skepticism. In a stinging editorial, The Jakarta Post described the move as seeming to be largely "ceremonial" without "concrete action".

Shipping lines are not exactly fuming, but stress that there is considerable room for improvement.

"The challenges faced by shipping lines are still low productivity and bad infrastructure conditions such as road and port equipment," intra-Asia operator Regional Container Lines observed. RCL, however, added that liberalisation and privatisation of ports has helped to improve port-related services. Shipping lines also cite high port charges and delays in Customs clearances as major concerns.

Shippers are also keeping their fingers crossed over what they see as looming port congestion.

"In two years, Tanjung Priok will be jammed," said Kartabrata.

Realising this plans are afoot by state port operator Pelabuhan Indonesia (Pelindo) II to build a new container terminal to relieve pressure on Priok and also a new port in eastern Jakarta. While welcoming the move industry sources remained skeptical about actual implementation of the project.

"We have to wait and see if implementation will be on schedule," the source said.

The new terminal, whose first phase is slated to handle 1.5 million TEUs per annum, is expected to come on stream in two years while a time frame of five to six years has been drawn up for the new port. The government will invite foreign investment for both the projects.