INDONESIA: SHORT-TERM MEASURES TO IMPROVE LOGISTICS

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Objective	Short-Term Measures	Responsible Stakeholder
Reduce congestion in the port	1. Align working hours across port stakeholders (open 24/7)	1. Customs, banks, and other
	2. Allow movement of containers within the terminal to be determined by terminal operators and not Customs, once container is cleared	2. Customs
	3. Allow terminal operators to charge steep penalty fees (in a revenue neutral way) to discourage importers from overusing the terminal storage once container is cleared	3. Port Authority
	4. Move empty container depots from the port area to a place closer to the industrial area	4. Container depot owners (shipping lines)
	5. Complement the shipping law with clear implementing regulations	5. Ministry of Transport
	6. Plan for the "jump" to build a new port in a greenfield	6. Ministry of Transport
Improve hinterland connections	1. Finish JORR, but restrict truck movement to night time	1. Ministry of Public Works
	2. Finish the construction of the last kilometer of railway from Bandung inland container depot to the port terminal	2. Ministry of Transport
	3. Create a railway subsidiary of Persero for freight services	3. Persero
	4. Construct a road link from the railway to the industrial area	4. Ministry of Transport
Improve efficiency and quality of trucking services and freight forwarding, especially to cater to medium size exporters	1. Create an escrow account to facilitate loans to trucking industry that would facilitate the expansion of companies size and long-term contracting	1. Trucking association and banks
	2. Provide certification for improved service, possibly with FIATA	2. Association of freight forwarders
Set up an efficient Logistics Team	1. Obtain ministerial or vice-presidential backing for the Team	1. Vice-President or Minister of Ekuin/Trade
	2. Create a core dedicated team and provide budget	2. Ekuin
	3. Coordinate with other logistics-related Team (e.g., NSW)	3. Ekuin-Customs

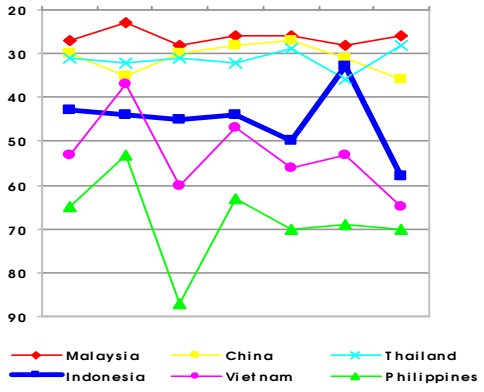
Competition around the world is increasing dramatically with the growth in manufactured trade volumes and the multitude of suppliers of comparable products. Indonesia has long relied on trade for its growth and job creation, and has been able to compete internationally in a wide range of products. Buyers around the world are increasingly focusing on reliability of supply and order cycle times—not only for high-value goods and perishables, but also for medium and low value goods where large-scale wholesalers and retailers seek to minimize inventories and reduce the risk of overstocking, while ensuring product availability. This is an area in which Indonesia can make significant progress by reducing lead time for producers importing raw materials (the inbound supply chain) and shipping products (the outbound supply chain), as well as by increasing reliability in meeting fixed delivery times.

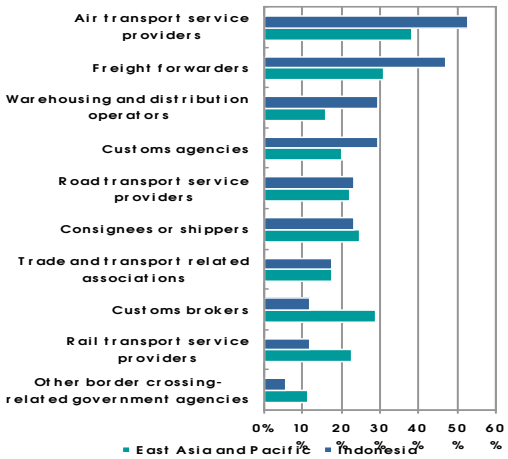
Logistics performance is a key contributor to competitiveness by reducing transaction costs. There is no consensus on the definition of logistics, but it typically includes the following key elements: (i) infrastructure: ports, terminals, railways, roads; (ii) operations: warehousing, storage, local distribution, trucking, cabotage; (iii) services: freight forwarders, customs brokers. The objective of such activities is to move goods from their origin to destination across international borders at the least possible cost in a specified time and for a given reliability.

The Logistics Performance Index (LPI) aggregates the performance in customs procedures, infrastructure quality, ability to track and trace shipments, timeliness in reaching a destination, competence of the domestic logistics industry and the ease of arranging international shipments. In Indonesia, ***competence*** of the local logistics industry (both private and public logistics service providers such as road transport operators, customs brokers, etc) and ***timeliness*** of shipments in reaching destination are key bottlenecks in Indonesia's logistics performance (Figure above). The LPI also shows that:

- Logistics **infrastructure** (ports, roads, warehouses) is weaker than in Singapore, Malaysia, China and Thailand.
- The rate of **physical inspection** at customs is substantially higher than neighboring countries, causing uncertainty.
- **Review procedures** (for conflict resolution) are complex, causing delays and uncertainty.

Indonesia ranks in the middle among its neighbors, but worse in competence of logistics agents and timeliness





Source: LPI

Inefficiencies in logistics—both public and private—compromise Indonesia's overall performance and competitiveness, creating a perception of unreliability. Satisfaction with air transport service providers for Indonesia (about 53 percent) is higher than East Asia and Pacific (about 40 percent), while the satisfaction with customs brokers is fairly low for Indonesia (around 12 percent), as compared to about 30 percent for private providers in East Asia and Pacific (Figure above). A holistic approach to logistics is needed—even if countries are efficient in some aspects of the logistics chain, their overall performance will be determined by their weakest link in the chain.

A three-pronged approach to reduce these bottlenecks in the short term include: (i) reducing congestion at the port; (ii) improving hinterland connections; and (iii) improving the efficiency of

the trucking and freight forwarding services. A National Logistics Team needs to be set up to provide a strategy and action plan.[1]

REDUCING CONGESTION AT THE PORT OF TANJUNG PRIOK

The port of Tanjung Priok is congested. The main inefficiencies and constraints at Tanjung Priok Port include following:

- ***Considerable interference of Customs in the operations of container operator.*** A container terminal is characterized by peak periods of import and export containers. When it approaches maximum capacity (which makes terminal operations more complicated), the terminal operator typically prefers to move containers to nearby off-dock container depots to create capacity. In Tanjung Priok, Customs do not allow this practice until the saturation rate of the terminal reaches 85%.

- ***Lack of coordination between Customs and container operators and obstructive Customs procedures.*** Containers in the terminal that have been cleared by Customs should be collected by the consignee or otherwise be allowed to be moved by the terminal operator to off-dock container depots to create capacity. In Tanjung Priok, however, Customs do not inform the operator of the time that containers have been cleared. Poor communication between the container terminal operator and Customs, in particular in relation to so-called "dwell time" procedures, exacerbate congestion.

- ***Inability of terminal operators to charge preferred penalty measures.*** As the storage tariffs are low (compared to international practices) and regulated by the Government, importers that wish to leave their boxes in the terminal, are not pressured to take delivery. Moreover, terminal operators are limited in the extent of penalty measures they can apply in such cases. This again leads to a decrease in terminal capacity and further congestion in the container terminal.

- ***Inadequate and uncoordinated operational hours of principal stakeholders in the port terminal.*** The typical peak flows across the container terminal (daily and weekly peaks) are partly due to the opening hours of facilitators—in particular Customs and banks—which close in the evenings and week-ends, while the port operations are open 24 hours, seven days a week. The mismatch in operating hours halts port activities and contributes to congestion.

- ***Limitations on physical, technical, and professional capabilities of port and logistics operations.*** These include: (i) limitations in depth, tide and space of the water area; (ii) inadequate number and capacity, and low performance of cargo handling equipment (in particular for container handling); (iii) lack of a proper automated container tracking system in the JICT container terminal which may delay timely removal of the container form the terminal; and (iv) questionable professionalism and skills of Agents and Freight Forwarders.

- ***Insufficient hinterland connections and container depots outside the port.*** The capacity of the roads around the port is insufficient, and the potential railway link cannot be used

[1] This assessment is made on the basis of studies, web searches and several interviews and discussions with various stakeholders in Jakarta during a mission (June 15-20, 2008).

due to a missing connection (one kilometer long) to the port area. In addition, there is lack of space to provide for the need for more container depots and off-dock facilities.

What to do? By far the most important recommendation is that the Customs, not neglecting its important function to prevent illegal actions of importers and exporters and other stakeholders, changes its attitude into that of a ***trade facilitator***. Specific actions can be taken in the short term.

Align operational hours of principal stakeholders in the port terminal. The typical peak flows across the container terminal (daily and weekly) are partly due to the opening hours of facilitators—in particular Customs—which close in the evenings and week-ends, while the port operations are open 24 hours, seven days a week. The mismatch in operating hours halts port activities and contributes to congestion. As is practiced in most ports around the world, all stakeholders at the port (including Customs and banks) should open 24/7. This improved coordination of operational hours should also be followed by the other players in the logistics chain such as shipping agents, freight forwarders, banks, and providers of hinterland connections. Such operating hours would provide a better service to users and reduce the peaking of demand for all services that occurs on two days of the week. Such operating hours have been proposed many times in the past, and the proposals have been rejected by most if not all of the service operators. If the proposal is again rejected, such services should be outsourced to private providers on a contract basis.

Customs should better coordinate with and not interfere in the operations of container operators once the containers are cleared. Customs impose regulations on who can move containers after they have been cleared and all duties paid. Once these formalities have been met, what happens to the containers should not be subject to regulation by the Customs agency. Customs also impose regulations on what level of container storage occupancy must be reached (85%) before a container can be moved from the basic container storage area to another bonded area, and even to which bonded area they can be moved. The acceptable level of occupancy of the basic container storage area is an operational matter that should be the sole responsibility of the container terminal operator.

Restructure penalty measures for container storage. The scale of charges for container storage for containers is determined by regulation. The current scale, while highly penal to containers that stay more than about five days, is not high enough to persuade enough owners to remove their containers as soon as they are cleared. The storage tariff should be restructured to be even more penal on long stay containers, while being revenue neutral for the terminal operator.

Clarify the real implications of the new 2008 Shipping Law. The larger share of international maritime container transport consists of feeder services to/from Singapore (majority) and Malaysian ports. Only a small percentage of the shipping flows consist of regional liner services. The domestic (inter-island) maritime transport can only be provided for by Indonesian owned and flagged vessels. Due to the fact that the national fleet does not have enough capacity, a small share of the domestic cargoes is carried by foreign flag vessels.

A new Shipping Law was recently accepted in the Indonesian Parliament. Discussions with various stakeholders revealed that there are different interpretations about the actual implications of the new Law. The principal issues are:

- Will the Law introduce the (globally preferred) Landlord Port Management model (Table below)?

- The 'Port Authority' mentioned in the Law appears to be the ***nautical*** authority in the port and executed by the Pelindo. Assuming that this is correct, which entity will then execute the other overall management functions such as port planning, provision of operational infrastructure such as quay wall and facilities, environmental management, marketing, etc.?
- Will the IPCs remain the principal container terminal operators in the 'Gateway ports'?
- Will a private operator, in case of a joint venture concession with an IPC, remain limited to maximum 49% of the shares?
- Will a private operator be allowed to (co-)invest in new port infrastructure (such as BOTs)?
- Will domestic shipping continue to be executed exclusively by Indonesian vessels?

Port Management Models

	Infrastructure	Superstructure	Stevedoring labor	Other functions
Public Service Port	Public	Public	Public	Mainly public
Tool Port	Public	Public	Private	Mainly public
Landlord Port	Public	Private	Private	Mainly private
Private Service Port	Private	Private	Private	Mainly private

The new Shipping Law results in different interpretations about the real implications of the new Law. In order to improve the image and reputation of the Indonesian Port and Maritime Transport Sector, and to increase the possibility of increased participation of the private sector in this environment (as is the global trend), it is of utmost importance that these uncertainties are removed in the shortest possible time. Uncertainty about the possibilities for the private sector to participate in the port and maritime sector in Indonesia will not make this an attractive venture.

IMPROVING HINTERLAND CONNECTIONS

Road access

Road access to the container terminal will be improved when the Outer Ring Road (JORR) is completed. However, access from the JORR and its extension to the new toll road close to the Cikarang industrial area in eastern Jakarta will still be difficult. The corridor leading to this industrial area currently accounts for about 55% of the containers entering and leaving the container terminals. If this percentage is not reduced, when the throughput of the container terminals reaches the 5 million TEU expected by about 2012, this would result in almost 3 million TEU containers per year—perhaps 2 million containers given an expected mix of 20ft (one TEU) and 40ft (two TEU). Given that each container requires a minimum of two truck movements (and as explained below, many containers currently involve four truck movements), this would be equivalent to at least 4 million truck movements per year. The containers entering and leaving the port are not equally spread through the days of the week; there are currently peaks on Friday and Monday. If this peaking continues, the 4 million truck movements per year might result in a peak movement of about 15,000 trucks using the access road into the industrial area. This would be an intolerable addition to the other traffic using the access road.

Finish JORR but restrict truck movement to night time. One partial solution would be to restrict the truck movements to the night time, from 2000hrs to 0600 hrs, giving an average of about 1500 truck moves per hour during this period. For the container trucks to complete all their transit in this time, the road would need to be clear of obstructions such as parked vehicles. The restriction on parking would need to start rather earlier perhaps from 1900hrs.

Although there are proposals to provide a grade separated interchange from the new toll road into the industrial area, constraints on land availability appear to make the turning radius of the

interchange too small to be negotiated by the five- or six-axle semi-trailers that are needed to transport 40ft containers. The design of the interchange should be reviewed to ensure that it has an adequate turning radius and capacity to handle the projected volume of traffic.

Rail access

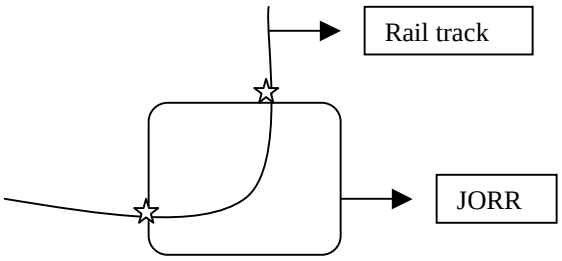
Extend the rail tracks into the port terminal and create a subsidiary of Persero for freight. There is currently a rail service for containers from an inland container depot (ICD) at Bandung to the port. However, the trains cannot reach the container terminal as the tracks end about 1 km before reaching the port container terminals. For this last portion, the containers must be transferred from rail to road (for export containers) and from road to rail (for import containers). This forced double handling adds so much to the cost of rail transport that it cannot compete with direct transport by truck between the container terminal and Bandung. If the tracks were extended to the final kilometer into the container terminal this double handling would not be necessary and the costs of rail transport of containers would be more competitive with road transport.

The extension would also make feasible the transport of containers by rail from the port to other destinations in the Jakarta region, and in particular to the Cikarang industrial area which accounts for 55% of container traffic into the port. Such a service would make a significant contribution to reducing the road congestion resulting from the many container trucks on the roads and could offer a financially viable alternative to truck transport.

The railway to Bandung goes close to the industrial area so it would be necessary to construct only a short access link from the main rail line. A site within the industrial area has already been identified that is large enough for a rail and road served ICD to operate. Despite this advantage there is at least one operational and one institutional issue that would need to be resolved before this rail link could be implemented.

- The operational issue relates to the at-grade crossings that the trains would have to pass. The extension of the JORR to the container terminals would at two places act as a barrier to the extension of the rail line into the terminals. Since both the JORR and rail line are at ground level, the railway could only cross the road by two at-grade crossings. These crossings would be separated from each other by only about 200m while the length of a 30-wagon container train (with each wagon having capacity for one 40ft container) would be about 475 meters. So both crossing gates would have to be closed at the same time for a train to pass. This would be less disruptive to road traffic than would be the case if the at-grade crossings were further apart, and if they would have to be closed one at a time for a train to pass). The time the road would be closed for each train to pass the two gates (at a speed of 30km/hr) would be about one and a half minutes, with the gates having to be closed for about 5 minutes for security reasons. If there will be an average of two trains per hour this would result in the JORR being closed for 10 minutes in each hour, probably an unacceptable interruption during the daytime but acceptable at night time. There are perhaps five other at-grade crossings on the line each of which would result in the road (not the JORR) being closed for about five minutes, also probably unacceptable during the day time. With two trains per hour for six hours each night, each with 60 TEU, the rail service could move about 300,000 TEU per year.

Extending the rail track to the port container terminal



- The institutional issue relates to the creation of a railway subsidiary for freight services. The railway operating company (PT Kerata Api – *Persero*) is focused on passenger rather than on freight services. For the container train service to operate successfully it would be preferable for it to be operated by a separate company. Since this is unlikely to be possible in the near future, creation of a wholly owned subsidiary of the current company would be an acceptable compromise. The subsidiary would be financially independent and have its own locomotives, wagons and staff, but would use the tracks of Persero under a contract arrangement.

Extending the rail track to the port container terminals would take a minimum of two years, and planning for the creation of a freight subsidiary of Persero would take at least as long.

Storage of empty containers

Create depots for empty containers near the industrial area and away from the port area. Containers are mostly owned by the container shipping lines and container leasing companies, with a few owned by manufacturing/exporting companies. Containers owned by the shipping lines have to be returned to the storage depot for empty containers operated by them within a specific period after they are discharged from the container ship, or a penalty charge is imposed on the company using the container. Some shipping lines now find that collecting this charge is more expensive than the revenue it generates, so they have abolished the charge. In other countries, many companies that use inbound and outbound containers (for their import of components and their export of finished goods) keep a stock of empty containers. Other companies make use of empty containers located in depots close their factory.

In Jakarta most empty containers are stored close to the port container terminals, so exporting companies that need a container have to contract a truck to go to the port to collect one. The heavy road congestion often results in the empty container arriving at the factory too late for it to be loaded the same day that it arrives. So the truck leaves the factory and returns when the container is stuffed (which could take up to two days). This process results in many excess truck movements. If there were depots for empty containers located closer to the industrial areas it would be possible for the containers to arrive more quickly and have a higher probability of being loaded the same day, so the truck could transport it to the port without the need to leave and return empty. Removing the empty containers from a space close to the container terminals would allow that space to be used for more essential purposes, such as the storage of loaded containers waiting collection after clearance by customs.

IMPROVING THE EFFICIENCY OF THE TRUCKING AND FREIGHT FORWARDING SERVICES

Trucking services

The trucking industry is characterized by a few companies that have several hundred trucks and many companies that have very few trucks. There are very few middle size companies that have fleet sizes compatible with medium-size manufacturing companies that require their services. Another characteristic of the industry is that the small companies tend to operate small two-axle trucks that are the most easily overloaded and least efficient to operate.

The practice in Jakarta of contracting trucks to move containers at the last minute is very inefficient and not widely practiced in other countries. It is more usual for the manufacturer/exporter to have a time period with the trucking company, and the trucking company is required to provide truck capacity according to a predetermined schedule. The short term contracting system in Jakarta is in part a consequence of the fragmented nature of the trucking industry—because few trucking companies have truck fleets large enough and truck planning technology good enough to be able to offer the longer term contacting that is common elsewhere.

Special loan schemes could be put in place to lower interest rates and make loans more accessible to small truck companies. The fragmented nature of trucking services derives from their inability to invest in larger trucks or increase the companies' size partly due to lack of financial security that small truck companies can offer and the very high interest rates that they are offered by commercial banks for loans for the purchase of new trucks. Other countries, mostly in Africa and including Nigeria, have implemented loan schemes that result in lower and accessible, but unsubsidized, interest rates. These schemes rely on the contribution by the borrowers to an escrow account to which the lending bank has automatic access should there be a default in loan payments. The funds in the escrow account are only a guarantee, so when the loan is paid off the funds are returned to the borrower. Sometimes the loans are made to small groups of borrowers, thus encouraging them to form a more permanent commercial relationship.

The commercial banks providing the loans often contract with the trucking association to manage the short listing of borrowers and for the collection of loan amortization payments. This has the advantages of having an institution knowledgeable of the potential borrowers make an initial assessment of the potential borrowers risk of default, and getting the commercial bank out of the labor intensive repayment collection, and putting additional pressure on the borrowers to maintain their payments as the trucking association can impose additional penalties for default, such as termination of membership. Often the trucking association collects the loan payments each week and passes them on to the commercial bank at the end of each month. By holding the funds for an average of two weeks the trucking association can earn interest to offset the costs of collection of the loan payments.

If the conditions of accessing such a scheme are that the borrower must meet minimum financial asset, managerial competence, maintenance facilities and driver training, then the scheme can also be used to bring about a restructuring of the trucking industry. Individual owner drivers would need to amalgamate into small companies or cooperatives to meet the qualification standards.

If such a scheme were to be implemented in Indonesia, it could increase the incentive for small trucking companies to amalgamate so that they could satisfy the financial condition of accessing the lower interest rate credit. The structure of the trucking industry with more medium size companies would thus more closely reflect the demand for trucking services from the manufacturing/exporting industries**.**

Freight forwarding industry

Introduce a voluntary certification scheme for freight forwarders. The structure of the freight forwarding industry is similar to that of the trucking industry. There are a very small number of large companies, many of which have a minority foreign shareholding. There are also a very large number of small companies that are lacking in management skills and financial resources. Medium and small size trading companies that cannot afford the reliable services of the few large companies have difficulty in selecting a reliable and competent small company.

This problem could be overcome with a voluntary certification scheme, in which companies that satisfy minimum standards, including having staff who have passed the examinations of the International Association of Freight Forwarders (FIATA). Forwarders who are found by Customs to repeatedly submit incomplete and fraudulent documentation would lose their certification. Small trading companies could then have more confidence in their choice of freight forwarder if they choose one that is certified. Such a scheme is currently being implemented in the countries of the East African Economic Community.

PLANNING NOW TO IMPROVE PORT AND TERMINAL CAPACITY IN INDONESIA

Buying time before hitting a wall. The constraints on expanding the capacity of the container terminal are related to the landside access, the efficiency in using the limited area for storing containers, and the depth of the access channels and length of berths in the terminal. Based on trade volume growth, Tanjung Priok is estimated to reach its maximum capacity of 3.7 million TEU in 2009.[2] Both Tanjung Priok and other existing ports in Indonesia can improve their efficiency further within their present locations with reforms in processes and relatively minor investment—as suggested above. This would allow these ports to cover their capacity needs in the coming 5-10 years. But Indonesia would soon need to decide to make a jump into building a new port. It typically takes 10 years to build a new port—thus a decision on that is needed soon. The port should be a deep sea port to reduce the (feeder) dependence on Singapore and Malaysia, and thus reduce time and transport costs.

Jumping to a new port requires a decision now A quick evaluation of the Port of Tanjung Priok leads to the conclusion that in the longer term the Port of Tanjung Priok, even if the short term actions are realized, will no longer be suitable to efficiently accommodate the expected growth in throughput and the requirements of increased shipping traffic—in numbers, capacity and dimensions (length, draft and beam). There will be shortage of land area and quay length, and the water depth will be insufficient. In addition, the hinterland connections will be insufficient or only to be provided at very high costs. Moreover, the impact of the port to its wider surroundings in terms of pollution (air, noise and light) will increase significantly and will have a negative impact on the city. Finally, it also will make it more difficult to maintain the compliance with international requirements related to ISPS and Supply Chain Security).

Investigations to develop a new, state-of-the-art port complex should therefore start now. The new port should be developed in a greenfield location, in concert with the requirements of a modern port complex in terms of water depth, space, hinterland connections and other facilities. Such a port complex may be combined with industrial and value-added facilities.

[2] The 3.7 million figure relates only to the JICTS capacity. When the KOJA and the two smaller terminals are added the total is closer to 5 million TEU.

Considering the northern coast line of Java, the location of Bojonegara (that has been earmarked already) is a possibility. The disadvantage of this location may be the longer distance to the industrial centre of Java, South East of Jakarta. Other potential locations might be in the vicinity of Cirebon and even further east. However, in order to provide for the requirement of having a deep water port (20-meter) one could also investigate the creation of an offshore port island connected to the shore by a bridge or dam, or a combination of these.

This so-called 'Jump' is not unique—many ports in the world have already made the shift from the encroached city port to the deep water greenfield port. Examples include Shanghai, Mina Rashid, Rotterdam, Bremerhaven, Abu Dhabi. The recommendation is not to wait until the moment that the Port of Tanjung Priok is finally choked. The investigations to determine boundary conditions and to execute initial SWOT (strengths, weaknesses, opportunities, threats) analysis for potential locations can, and should start, in the short term.

DESIGNING AND IMPLEMENTING A NATIONAL LOGISTICS STRATEGY

Operations of the National Logistics Team

Evidence from South Africa, Morocco, Argentina and Thailand indicates that unless the agency responsible for preparing the National Logistics Strategy (for convenience called a Logistics Committee) includes significant representation of the users and operators of the national logistics systems it is unlikely that the agency will adequately address the issues. Membership of the Logistics Committee should be broad and include representation of manufacturing industry and providers of logistics services. The example of Thailand shows that the resulting large Logistics Committee can be managed by its having a small, full time core team, with Working Groups dealing with specific topics made up of members of the broader team.

There are no obvious associations to represent either of the private sector groups, users or operators. Chambers of Commerce or Trade *could* represent the users and trade associations *could* represent the operators, but both have a responsibility to further their members' interests, and this objective is often in conflict with the interests of other associations and with the national interest. So a National Logistics Council can be created to represent the interests of the manufacturing industry and logistics service providers on the Logistics Committee. Conflicts between the interests of the various members of the Logistics Council should be resolved in private between the members so that as far as possible a common position of the private sector is presented to the Logistics Committee.

While members of the Logistics Team know their own sector well, few of them have a broad experience in logistics. The Logistics Team could therefore contract with an academic institution with a strong Logistics faculty to provide it with impartial technical advice.

To contract for this advice, and for research into specific issues in which it is lacking knowledge, the Logistics Committee will require a significant operating budget. In addition, the current representatives on the Team have other responsibilities that take most of their time and they have little time available from the activities of the Committee. Experience from other countries is that without close to full time members, and a permanent secretariat, preparation of a National Logistics Strategy will not benefit from the necessary information. The Logistics Committee could therefore prepare an operating budget that will allow it to undertake necessary studies and retain a full time secretariat.

Further evidence from other countries is that without leadership by a Chairperson with a high political profile, the Logistics Committee will not have the political influence for its recommendations to be taken seriously. Preparation of the Logistics Strategy in Thailand only progressed when the preparation Team was headed by a Vice President. The Logistics Committee should have a high profile political Chairperson.

Close collaboration with existing and related National Teams should be established. There is quite a bit of overlap between the agenda of the Logistics Committee and the Team in charge of the National Single Window (see box below). Common membership should be established when possible.

Customs Reform and National Single Window

The team to implement the National Single Window (Tim Persiapan NSW) was established by a decree from the Coordinating Minister for Economy dated 27 March 2006. The team is chaired by the Minister of Finance and co-chaired by the Minister of Transportation and Minister of Trade. The day-to-day work of the team is coordinated by a Secretariat under the leadership of the Deputy Minister for Industry and Trade at the Coordinating Ministry for Economic Affairs, and is undertaken by five inter-ministerial working groups covering the following areas: (i) planning and international cooperation, (ii) policy integration and import-export procedures, (iii) information technology, (iv) sea ports, and (v) airports. Additionally, the NSW Secretariat is supported by an International Expert Advisor on Single Windows and an Indonesian Trade Facilitation expert.

The main tasks of the team include: (i) the development of an electronic NSW for port and customs clearance; preparation of a roadmap for the NSW; (ii) research on the legal framework and international cooperation for implementing the ASEAN Single Window (ASW); (iii) compiling information on decrees and procedures for export, import, customs, and port clearance; (iv) socialization, technical assistance and capacity building; (v) selection and implementation of an information technology and payment system for the NSW that will support integration with the ASW; (vi) pilot tests of the NSW in various locations; and pilot tests to integrate the NSW into the ASW.

The stated objectives for INSW (see http://www.insw.go.id) include:

- To reduce lead times in processing trade approvals and releasing goods for import and export;
- To reduce the costs involved in these processes, and
- To provide more accurate statistics on trade processes.

The NSW team has undertaken one simple pilot test of a single window in Batam that offers basic single window functionality, and has prepared the Indonesian National Single Window Blue Print that has been adopted by Ministerial Decree in July 2007. A second more robust pilot dedicated to automating import licensing and approvals from line ministries/permit issuing agencies and goods release formalities through the primary Indonesian port of Tanjung Priok was launched in December of 2007.

The NSW process involves traders submitting an electronic form (request for approval) to the relevant agency/agencies. These agencies have reengineered their processes so that they can now provide a one day turnaround in approvals compared to eight days before the NSW. The agency provides an electronic approval to the trader and simultaneously supplies a copy to customs, who electronically insert the approval and license details into the electronic customs declaration -- a saving of time and expense to the trader. Once customs conclude their inward goods approval process with the port of Tanjung Priok, then traders receive an electronic confirmation that goods are available for collection from the port.

The current NSW is a pilot project—there is much to be done to ensure that it is sufficiently robust and flexible to cope with all import and export transactions, peak loads, security, e-payments, and to obtain a complete legal and regulatory enabling environment.

Components of the Logistics Strategy

Definition of logistics: Given the lack of a generally accepted definition of logistics, or even of the range of activities that is covered by the name, a first action of the Logistics Committee should be to make its own definition of Logistics and specification of the range of logistics activities that it will cover.

Specification of issues: Countries that have undertaken a formal audit or assessment of the current state of the logistics sector have been more successful in designing an effective Logistics Strategy than those countries that have relied on the informal knowledge of the team preparing the Strategy. The Logistics Team should conduct a formal audit of the current state of the Logistics sector.

Specification of a vision for the logistics sector: Sectoral visions tend to be expressed in broad general terms that are uncontroversial and easily accepted by those in the sector. However, visions of this type also tend not to be very useful. The specification of the Vision of the Logistics Sector should be that the Strategy is aimed to achieve be expressed in more concrete terms than is usual. Such a vision might be expressed as the service standards that the Strategy is aimed to achieve. If these standards are expressed in numerical terms they will provide a sound basis for monitoring the performance of the Strategy.

Implementation of the Logistics Strategy

The Logistics Strategies of Argentina and Morocco included a statement of the main issues that the Strategy was aimed to address, and for each of these issues a number of actions that would need to be taken for them to be adequately addressed. The objectives of Argentina's Logistics Strategy include: (i) ensuring capacity and quality of services; (ii) promotion of domestic freight transport; (iii) facilitation of bi-national and regional transport; (iv) support to SMEs and logistics operators; and (v) speeding of foreign trade documentation and inspection processes. A similar approach can be taken by the Logistics Committee in Indonesia, including to define the issues that it intends to address and then to propose the actions that need to be taken to address them. The Committee should also recommend an Action Plan that includes short term actions that can be taken at relatively low cost and have an immediate apparent outcomes, along with longer term actions.

A monitoring system with benchmarks and monitoring indicators needs to be put in place to follow progress. If the benchmarks are performance measures of parts of the logistics industry ('outcomes') rather than of simply of the implementation of actions ('outputs'), they will give indications of whether the actions are having the desired impacts.