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Focusing on business key to facing challenges

While underscoring the importance of safe and timely delivery of liquefied natural gas (LNG) to consumers, a specialist in energy issues has warned that regulations on gas prices issued without accommodating the interests of other parties may lead to market distortions.

The specialist referred to Energy and Mineral Resources Ministry Regulation No 40/2016, which will set gas prices at around US\$6 per million British thermal units (MMBtu), down about one third from the current price.

The decision was a form of government intervention in the market, which he said was inappropriate as there had been no turbulence in terms of supply and demand. "The measure could potentially result in market distortions," said the specialist who preferred to remain anonymous.

The government intervention will force companies engaged in transporting LNG to realign, reposition and remap the market.

The move to lower the price, which aims, among other things, to boost the competitive edge of energy-producing companies' (Independent Power Producers – IPPs) poses no problem as long as it is conducted gradually. "This way companies have sufficient time to consolidate as they must respect existing contracts they have signed with buyers. Besides, there will be cost certainty, which means keeping upstream and downstream business people happy," he said.

The specialist also highlighted the government's decision regarding LNG transportation costs, set at US\$1.2 per MMBtu, for all routes, including from Bontang, the site of an LNG plant in East Kalimantan, to Jakarta; Bontang – Arun, Aceh; Bontang – Kupang, East Nusa Tenggara; Bontang – Merauke, Papua, etc.

"Transporting energy varies in terms of risk and challenges. Transporting energy from Bontang to Merauke will be more risky and have more challenges compared to Bontang to Jakarta, which is shorter. The measure will affect the transportation business so I think a cross-subsidy would be one of the best solutions," he said.

Companies engaged in energy shipping businesses have developed their own strategies in response to the government's policy as they must survive amid the unfavorable business environment.

Publicly listed shipping firm PT Humpuss Intermoda Transportasi Tbk. (HITS), for instance, knows how to cope with the challenge thanks, largely, to its consistency in business focus and its capabilities for adapting to any new changes to the business environment caused by changes in policy.

The company has 30 years' experience in which time it has operated under six different governments, each with its own approach to energy policy.

HITS President Theo Lekatompessy emphasized the importance of remaining focused on the company's line of business, even though each change of government offered opportunities to engage in other businesses, as providing the best shipping services, including safety, security and timely delivery, was the company's top priority.

HITS is engaged in the transportation of LNG, crude oil, chemicals and other sea cargo. The company also provides ship agency services, vessel crews, which includes vessel rental on the basis of 'time charter' and 'spot charter', and management services for vessel owners.

According to Theo, the ability to adapt to a changing business environment is crucial given the inevitable changes in policy brought on by changes in government. "Only companies that are consistent and persistent can survive and resist the difficulties," he said.

Having a long-term vision for the company is also pivotal because, "this way we can anticipate possible events that may not be conducive to business growth. We do this by preparing for several scenarios."

Furthermore, the exercise of business ethics is no less important. As Theo pointed out, "providing service is our business, which means we give priority to human beings."

The recent political turbulence, marked by frequent rallies during the Jakarta gubernatorial election, has affected most businesses, especially in terms of financial performance in the second semester.

Despite the unfavorable economic conditions, HITS expects to see an increase in profits, although "not as high as last year's," Theo said.

HITS recorded an operating profit increase of 64 percent and a comprehensive profit increase of 191 percent in 2016, "because we stuck to our business," Theo said.

Indonesia will begin importing gas in the next five years to meet growing demand. "As an anticipatory measure, we will partner with overseas companies. In the next five years, vessels that transport LNG will also enter Indonesia and that's why the *cabotage* principle has to be safeguarded so that Indonesia will generate profit from the situation."

Cabotage is the principle of reserving the privilege of navigating and trading along the coast, between two or more ports within a country's territory, only for vessels that are registered in that country.

According to Theo, HITS, a business unit of Humpuss, is run in accordance with three simple corporate missions: paying tax to the government, providing job opportunities for as many people as possible and making contributions to the government, be it through its quality of work, safety, or business ethics.