

INDONESIA DIGEST

Indonesia's complex Issues in a Nutshell

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MAIN FEATURE:

INDONESIA'S YOUNG CONSUMERS ARE MOBILE AND UP TO DATE

Internet and the mobile phone have changed the lifestyle of Indonesia's young generation, confirmed a research done by Synovate. Out of the 18 million Internet users in Indonesia, 40% are between the age of 20 to 24. This is the young generation that Dentsu Strategic Planner, Janoe Arijanto calls: the "look at me" generation, reports the Kompas daily of 7 November. Young people today want to look different, and they can adapt themselves very fast to the rapid advance in technology.

Internet favourites for the Indonesian youths are the on-line games, Avatar, Friendster, Myspace and blog. And, on account of the information technology, Indonesian youths are now quickly catching up with young people anywhere in the world. Yanti Sugarda, Managing Director of the Polling Center, confirms this further, adding that the young love fashion, entertainment, and use the internet to access information. IT has made young people worldwide to think alike. This is also true of businessmen and young executives here, whose ways of communicating and working are becoming more and more similar worldwide.

According to Synovate, there are 322 million internet users in Asia today.

While Synovate further predicts that in the year 2010, half or 50% of all mobile phone users worldwide live in the Asia Pacific region, with China having the largest share in cell phone users at 400 million. There are at present 37 million mobile phone users in Indonesia, and this number is expected to grow to 60 million in 2010. Around 65% of cell phone users are among the urban population, with the largest percentage users of the young generation. For to the youth, a mobile phone is not just a tool for communication. A cell phone is a statement of lifestyle and an entertainment center.

The article in Kompas was written ahead of the Asia Pacific Media Forum 2006, to be held in Bali from 16-19 November.

On the subject of Television viewership, the report further states that according to Nielsen, ratings for top programs in Indonesia are declining every year. This means that advertisers must spend more dollars to reach the same number of consumers. Although, according to a study made by Roy Morgan, despite the fact that viewership of all TV programs continues to increase, - with the exception of TVRI, - yet, Television's effectiveness as a media for advertising is now declining since viewers use the remote control as their weapon to switch channels during ad breaks, and enjoy programs of other stations.

The rapidly changing urban lifestyle is also impacting on the effectiveness of the advertising media used, says Yusca Ismail, CEO and General Manager Perwanal Saatchi & Saatchi. The home, that used to be the center where the family enjoys programs together, is now competing with shopping malls and restaurants, where families now spend more time together for relaxation and recreation. People's tastes also vary widely, ranging from those who enjoy reading Karl Marx, to the Kamasutra, or to the Da Vinci Code, or listening to religious lectures by Aa Gym.

Consequently, as the Indonesian public becomes more fragmented in their particular interests, and in order to attract attention of the public to their products, advertisers must not only increase the number of placements of ads but they must also improve the quality of ads so as to be able to stand out among the clutter.

(Source: Kompas 7/11/2006)

(Tuti Sunario)

NEWS AND BACKGROUND:

1. Tourism and Transportation:

- **Bali Small Hotels Campaign attracts Attention Down Under**

Balidiscovery.com reports that a small group of Bali hotel and travel operators recently produced a tongue-in-cheek video advertisement to draw attention to their growing frustration with the Australian market's prolonged recalcitrance to return to Bali for their holidays.

Seeking to launch a low-cost Bali awareness campaign, the *Little Bali Hotel & Resort*

Company (LBHRC) tore a page out of the controversial Australian Tourist Commission's "Where the Bloody Hell are You" campaign and created an amateur-quality video narrated by a traditionally dressed Balinese on a walking tour of Bali asking where the Australian tourists had gone?

The guerilla marketing campaign by *Little Bali Hotel & Resort Company (LBHRC)* is comprised of two parts: the initial spoof ad program distributed by Internet followed by a program of heavy discounts to the Australian market.

The eight members hotels of *LBHRC* are the *Baleka Beach Resort, Bali Ayu Hotel & Villas, Bali Garden Hotel, Puri Etnik Hotel, Samsara Hotel & Spa, Su's Prince Cottages* and *Villa Coco*.

Australian visitors have traditionally ranked as the second largest inbound market to Bali with Bali, in times past, being the most preferred overseas holiday destination for Australians. Current Australian arrivals to Bali are down by more than (-)55%, following a second terror attack in October 2005.

In response, from Australia, the Branded Newsletter reports that the campaign has received enormous support with 20,000 unique hits on the website since its launch on Thursday. Brett Morgan, Little Bali Hotel & Resort Company (LBHRC) Co-founder has declared he is "absolutely gob-smacked" by the reaction.

Mr Morgan said that the LBHRC has been inundated by requests from agency groups, wholesales and airlines requesting access to the short for promotional purposes. Some of the requests even came from travel specialists located in India, Japan, the US and UK.

The campaign has also boosted the LBHRC brand, with hotel membership numbers expected to rise from the current number of eight in coming months following proposals from several small hoteliers.

Mr Morgan said, "It's been amazing – we've also been approached by The Lonely Planet Group in Melbourne which has applauded our effort and offered to support us via the provision of a number of its 'Best of Bali' guide books to give away as promotional prizes.

"While we expected some form of knee-jerk reaction, we didn't quite expect this. But at the end of the day it's all about promoting Bali and doing anything we can to help the Balinese get back to where they deserve to be." Mr Morgan also commented that he hoped the campaign and subsequent industry response will have larger implications.

"We're also hoping this campaign will play a role in helping Garuda Indonesia to change its current extreme stance regarding its plans to cut direct Denpasar services ex-east coast Australia which is obviously going to have a major effect on the destination," He said.

- **New Surabaya Airport in operation; Makassar Airport to Upgrade**

Surabaya has a new airport. On Tuesday, 7 November, the new Juanda Airport went into operation with many hitches. As all planes were that day diverted to the new airport, located north of the old one, operations were not as smooth as expected. Minister for Law and Human Rights, Hamid Awaludin, who was to give a speech at the University of Airlangga was left waiting in the plane for 45 minutes, for an aerobridge to be connected. Seats in the terminal's waiting areas are also still far from adequate, and the main access road from the city to the airport is said to be completed by January next year only, reports Kompas.

Nonetheless, the opening of the new facility was pressing as the number of passengers to Surabaya, Indonesia's second largest city, was fast escalating each year. In 2005, Juanda handled a total of 6.2 million passengers, 5,590 international and 63,885 domestic aircraft landings.

The new Juanda Airport at Surabaya covers a total area of 300 hectares, has a landing strip of 3,000m by 45m, an apron of 148,000 sq. m. for 18 planes, and a parking area for 3,000 cars. The terminal, which is said to be modeled on Changi Airport in Singapore, has two floors, with the ground floor for ticketing and check-in, and for arriving passengers, while the second floor is for departing passengers.

Meanwhile, to further improve facilities and extend the landing strip of the Hasanuddin Airport in Makassar, the government will disburse Rp. 500 billion in the Budget Year 2007, earmarked for the airport's second phase development, said Minister for National Planning, Paskah Suzetta recently.

The Hasanuddin Airport will be extended with an apron of 82,800 sq. m. to handle 7 planes, in addition to the present apron for 16 planes. The new terminal building will cover an area of 48,500 sq. m. and access road and parking area of 23,000 sq. m.

Airlines and the private sector have constantly complained of inadequate facilities at the Hasanuddin Airport, especially considering that Makassar is a hub linking the western part with the eastern part of Indonesia.

2. The Environment, Culture and Health:

- **Forest Conservation Issues to be discussed at Climate Change Conference**

Indonesia will bring the forest conservation issue to the United Nations Framework Convention on Climate Change (UNFCCC) taking place in Nairobi, Kenya, from November 6 to 17, 2006, reports ANTARA.

Dadang Hilman, member of the Indonesian delegation from the Environment Ministry to

the Meeting said that Indonesia will submit issues relating to forest conservation in controlling global warming.

Forestry is expected to become an important topic of discussion in the forum, he said, adding that the other issues to be included in the negotiations between the Indonesian delegation and representatives of other countries include the provision of the adaptation fund, which has yet to become a reality.

The forest issues to be discussed at the meeting are linked not only to forest fires in Southeast Asia, but also the disappearance of tropical land and the rapidly narrowing of forests in the world, according to Hilman.

Actually, Costa Rica and Papua New Guinea brought those issues to the UNFCCC meeting last year, especially in avoiding deforestation, but with so many issues forwarded at the meeting, countries with tropical forests formed a special coalition to fight for their interests. "They have asked Indonesia to join the coalition, but we still have to think about the invitation," he explained.

Countries with tropical forests generally regard forests as resources, and exploit the forests to meet their economic needs, whereas the world needs to preserve the forests as the lungs of the earth, and as a means of hampering global warming resulting from the greenhouse effect.

The formation of the special coalition, according to Hilman, is intended to create a compensation mechanism of the advanced countries for the prevention of deforestation in countries with tropical forests to support their national economy.

Indonesia will take up the same position as these countries and will join the coalition because Indonesia and the other coalition members are fighting for the same interest, Hilman said.

Concerning the implementation of Clean Development Mechanism (CDM), Hilman disclosed that eight to ten CDM projects to be handled in Indonesia have been listed, and six of those projects have been registered at international level.

The number of CDM projects in Indonesia is far less than those in China and India. India has over 700 CDM projects, while China has prepared to handle 100 CDM projects.

However the volume of carbon dioxide to be reduced by Indonesia's CDM projects will be very high, especially with the planned reduction of 1.5 - 2.0 million tons of carbon by Indocement, reports Antara.

- **69% of Indonesia's Coral Reefs destroyed**

An approximate 69% of the 2.5 million hectares of coral reefs found in the Indonesian seas, have now been destroyed, and will need the concerted efforts of many parties including coastal populations to restore, said Sapta Putra Ginting, Executive Secretary of Coremap Phase II, in Padang, West Sumatra, last week.

Coremap will build a network of 400 observation stations throughout the archipelago to study the condition of coral reefs in Indonesia. Ten percent of the world's coral reefs are found in the Indonesian seas. Coral reefs protect coasts from erosion and, when they are well cared for, may be used in cosmetics and medicines, besides being excellent tourist attractions.

Whereas, 70% of a total area of 25,984 hectares of coral reefs found in West Sumatra are today in very poor condition, caused by the use of explosives and cyanide in fish catch, and broken by ships anchors. Worse still, on the island of Mentawai, inhabitants use coral reefs as building material, because of a lack of other materials.

3. The Economy, Trade and Industry:

- **President concerned over Indonesia's 1.3% annual Population Growth**

President Yudhoyono warns that Indonesia's population growth of 1.3% annually is higher than even before the 1997 economic crisis, and is an alert signal for all, since population growth impacts the supply of food that must be supplied by the government, increased need for health facilities and, of course, the need for more jobs. For this reason, the President has asked the National Family Planning Board to resume stepping up its family planning campaigns, reports *Bisnis Indonesia*. The President was speaking in conjunction with the opening of the National Congress on Indonesia's Human Development 2006.

Earlier, reports mentioned that Indonesia's population growth has been declining from 1.34% between the years 2000-2005, to 1.27% between 2005-2010, and is projected to slide further down to 0.83% between 2020-2025.

Meanwhile, UNDP has raised Human Development Index of Indonesia to no.108 among 177 countries, up from no. 117. HDI is measured based on per capita income, level of education, health and life expectancy. Indonesia's position was reached on the assumption that the poor who earn less than US\$ 2 per day came to 52.4% of total population, while those living on the criteria of the national poverty line (2,100 calories per person/day) was 27.1% between 1990-2004.

Comparing the above figures with other ASEAN Countries, in Thailand, for example during the same period, the percentage of Thailand's population living below US\$ 2 per day was 25.2%, and those living on the national poverty line was 13.1%.

Seen from the indicator of education, the percentage of illiterate adults in Indonesia was 9.6% compared to 7.4% in Thailand, commented *Bisnis Indonesia* in its editorial of 13 November.

- **Results of Infrastructure Conference 'Positive'**

The three-day Infrastructure Conference received 'positive response' from international investors, Coordinating Minister for Economic Affairs Boediono said Thursday (2/11/06), the second day of the conference, reports Indonesia's Trade and Investment News published by the Coordinating Ministry for the Economy.

Government officials said that interest was strong and that while far less projects were offered than at the first conference early last year, they were far better prepared.

"With this conference we have regained the momentum to boost the development of our infrastructure. We now see that we're on the right track towards reaching our goal," Minister Boediono was quoted as saying by *The Jakarta Post*.

"We haven't yet reached any deals with foreign investors. But we've seen very strong interest from them during this conference. I'm optimistic that we'll win their commitments to develop the projects we're offering," he said, adding that he believes this year's meeting would prove to be more productive than the previous one.

The event drew about 1,200 executives of mostly foreign companies.

The strongest interest was in water projects, Public Works Minister Joko Kirmanto said. Three private firms had expressed a keen interest in investing in three water supply projects worth Rp1 trillion (\$109 million) that were tabled by the government.

"Many investors are interested in our water projects. At least three of them have directly approached me today and stated their intention of tendering for piped-water projects," he said Thursday. Kirmanto said the three companies were Tyco Water of the US, Ami Water from Singapore and a local firm from East Kalimantan.

Separately, daily *Koran Tempo* quoted Transportation Minister Hatta Radjasa as saying that the governments of Indonesia and Japan will sign an agreement on the construction of a Jakarta subway line by the end of this month.

Finance ministers of both countries will sign the agreement on the \$800 million project, which is expected to get under way by the end of 2008, he said.

Radjasa said it had been agreed that 30% of the project's components will be from Japan, 30% from Indonesia and 40% will be opened for tender.

In the power sector, state electricity firm PT PLN signed a preliminary deal with US energy firm AES Corp, Japanese trading firm Sojitz, and local firm PT Triaryani to build a \$1.5 billion 1,200-MW coal-fired power plant in South Sumatra, Mines and Energy Minister Purnomo Yusgiantoro said Wednesday.

In the real sector, PT Telkom overshoot analysts' predictions, reporting an 82% rise in net profit for the third quarter, largely on improved receipts from its cellular unit, PT Telkomsel. PT Indofood Sukses Makmur turned in a net profit figure 10 times larger than the same period last year, when the company was saddled with one-off costs.

Sales were up around 25% at leading retailer PT Matahari Putra Prima to Rp5.6 trillion, Bakrie & Brothers nearly doubled its revenue figure, but leading car distributor PT Astra International saw revenue fall by a third, although company spokespersons said that automotive and motorcycle sales had begun to pick up.

On the macroeconomic front, inflation figures for October dropped to a year-on-year figure of 6.29%, sharply down from September's 14.55%.

Government spokespersons said growth for this year would come in at around 5.6%. Bank Indonesia (BI) Deputy Governor Hartadi Sarwono noted, however, that economic recovery "appears to be gaining momentum" on the back of rising consumption and exports in the third quarter.

4. Politics and Security:

- **Piracy in Malacca Straits Declining, Praise for Patrols**

The Straits of Malacca saw a decline in pirate attacks for the year through to the end of the third quarter, reports Indonesia's Trade and Investment News published by the Coordinating Ministry for the Economy.

Incidents of piracy and armed robbery in Indonesian waters have dropped to 40 in the first nine months of the year from 61 in the same period last year, according to the International Maritime Bureau (IMB).

Chittagong in Bangladesh saw the greatest jump in piracy in the region, with 33 cases in the nine months, *The Shipping Times* reported.

IMB director Captain P. Mukundan credited "those law enforcement agencies responding to incidents in high risk areas" for the lower figures from the Malacca Straits.

The IMB report also noted that the Malacca Straits has been dropped from Lloyd's of London's list of dangerous waterways.

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