



**MEETING OF THE SEA USERS' GROUP
HELD AT WFP SHIPPING SERVICE OFFICE
JL.JEND. SUDIRMAN No.: 15, GEUCEU – BANDA ACEH
ON
16 June AT 11:00 HRS**

Present:

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ITEM 1: Adoption of minutes from 2 June meeting:

Jens Baekholm opened the meeting and last week's minutes were adopted without any changes.

ITEM 2: Overview of ships on Charter:

Michel Djoulizibaritch briefed the group about the vessels that we currently have on charter. Since our last meeting we have brought on board a coaster, the Prima Samudra. Meanwhile the Pacific Spirit is out for maintenance and expected back on the 20th of June.

At the end of the month we will bring on board two additional coasters: one for a three-month period and one for a one-month period.





ITEM 3: Timber Documentation

The situation with timber documentation remains unclear as the BRR has yet to issue the final guidelines on requirements. They are expected to have these guidelines completed by Monday 19 June, in time for the Timber Trade Show, which will be held in Medan. They will also be giving a presentation on the requirements at the show. WFPSS will circulate this document to all users once it is received.

One participant mentioned that we will continue to face complications with all timber shipments as long as there is illegal logging taking place in Indonesia.

ITEM 4: Review of Completed Shipments

Zhen-Zhen reviewed the completed shipments to date, totalling 37,021 MT / 126,952 cbm. There are 66 users of the service to date.

She also mentioned that several changes have been made to the CMR. Users should ensure that they indicate whether the booking is new, a revision or a cancellation. This will help WFPSS avoid double bookings. Additionally, users making multiple bookings should assign a reference number to them so that they can easily be tracked in future. She also urged those submitting bookings to ensure that they include a date in the “date of readiness of the cargo” section as opposed to text since the database does not recognize the text.

ITEM 5: LCT Ramps Around the Region

Jens gave an update of the construction/rehab of LCT ramps around the region as follows:

- 1) The ramp in Meulaboh has been completed. WFPSS has temporarily positioned a Port Captain in this location.
- 2) In Sinabang WFPSS is repairing one ramp and building a new one near the WFP ramp. Both projects are expected to be finished in approximately 3 weeks.
- 3) The UNDP ramps in Ulee Lheue port have been completed near the Ferry port. WFPSS is moving lots of cargo out of this port for Pulo Aceh and Nias therefore the three areas where the LCT can now berth will assist WFPSS with its operations.

ITEM 6: Cost Recovery

BRR has recently confirmed its housing projections, which will require them to move a total of 150,000 MT of materials through March 2007.

Jens briefed the group on the current funding situation for WFPSS and subsequent need to introduce cost recovery. The service is currently funded through the end of September and while WFPSS has done some calculations on projected shipments, they are not yet ready to release possible rates. It is however apparent that in order to meet rising demand, the service





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would likely have to charter more vessels, which will no longer be possible given the lack of confirmed funding.

It was stressed that the request to implement cost recovery and begin supporting commercial transporters to enter the market comes directly from BRR and the Multi Donor Fund of the World Bank. The main concern is that because agencies are receiving subsidized transport, commercial shipping companies will remain unable to compete and therefore refrain from entering the market.

The first route to be phased out will be the ferry service between Sibolga and Nias, which will be cancelled as of 1 August. Commercial companies will be notified accordingly and encouraged to enter the market. Agencies are urged to plan accordingly.

It is still unsure when the cost recovery will take effect and whether it will be partial or full. WFPSS will continue to try and provide competitive rates however the fear is that the cargo handling and logs support will be eliminated. WFPSS will have to recover an average of \$80/MT in order to cover operational costs, including support costs, which are approximately 16% of the total cost of running the service.

The intra-island transport will be most costly to the user as it is significantly more labour/cost intensive to operate.

The main goal of cost recovery and eventual phase-out is to build local capacity and allow for the commercial shipping companies to enter the market. A proposal of suggested needs for handling equipment has been submitted to BRR, which they intend to purchase however this will take time. Currently there are only three pieces of handling equipment available, apart from the WFPSS equipment, with two in Malahayati and one in Sabang.

Some agency representatives expressed concern about the capacity of local operators. WFPSS told the group that it is too early to tell what capacity levels are however this will have to be gauged as the phase-out commences. Support to local operators as well as to the agencies will be provided by WFPSS wherever possible.

The next user group meeting will be held at 1100 hrs on 30 June 2006.