



**MEETING OF THE SEA USERS' GROUP
HELD AT WFP SHIPPING SERVICE OFFICE
JL.JEND. SUDIRMAN No.: 15, GEUCEU – BANDA ACEH
ON 30 June AT 11:00 HRS**

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ITEM 1: Adoption of minutes from 16 June meeting:

Mike Whiting opened the meeting and last week's minutes were adopted without any changes.

ITEM 2: Overview of ships on Charter:

Mischa Rychener gave an overview of vessels on charter. Participants were reminded that the vessel position list can be found on the website and updated daily.

ITEM 3: Timber Documentation

Timber shipments remain a challenge for all parties involved. WFP Shipping Service has a vessel in Kalimantan with UNHCR timber on board that has been held up for a month due to various complications with documentation and the source of the timber. The team in Banda Aceh are working closely with BRR officials and the Timber Help Desk to develop a flow-chart which outlines the steps agencies must take to ensure that documentation is correct and further shipments go smoothly.





Sanny Leong gave an overview of the Timber Trade Show. The event was primarily set up to allow for timber suppliers to meet representatives from NGOs. All Village Timber requires the SKSHH and SKAU documents. In addition, all timber shipped will require a recommendation letter from BRR certifying the legality of the timber. Once agencies have identified a supplier, they should contact the timber Help Desk, which will then investigate to make sure that the timber is legal. Once determined, they will issue the recommendation letter directly to the relevant Forestry office as well as any other necessary parties (local authorities etc...) stating the legality of the timber and its purpose.

Simon (Concern) advised that the documentation required for shipping the timber only has a 7-day validity therefore WFPSS should advise agencies of a firm departure date. Mike Whiting told the group that a request has already been made to lengthen the period of validity to 2 weeks.

Henry (IFRC) asked the group whether it was possible to get a pre-approval from the BRR for all timber shipments. Mike told the group that this was not possible since the only people who can issue the SKSHH are the MoF in the place of origin.

Mike advised the group that the BRR has a list of 25 approved timber suppliers. He urged agencies to purchase from these suppliers only as it will minimize the risk of procuring illegal timber as well as minimizing potential delays, as was the case in Sampit with the UNHCR timber for which the supplier was not on the pre-approved list.

Someone raised the question of whether these same documentation procedures applied to finished products? The answer is that they only apply to raw timber however WFP Shipping Service has recently been advised that some agencies may also face problems transporting cement, as all bagged cement is subject to local government inspection. As this is a new issue, WFPSS will try to get more information on this matter to share with users.

John Brady advised the group that BRR is finalizing the documentation outlining requirements. He reminded everyone that as long as there is illegal logging in Indonesia, we will all continue to face challenges with timber shipments. He pointed out that any agency planning to purchase large amounts of timber should have a sophisticated procurement process in place including individuals who can travel to the field to conduct quality assessments etc... One alternative he suggested to agencies is to import timber. While this is more costly, agencies can be sure that they will receive good quality timber with less hassle, as documentation requirements for timber coming from outside Indonesia are less stringent.

John advised the group that while their timber experts are away at the moment, he can contact them on behalf of the agencies if need be. George Kuru, an internationally known timber expert, is likely to return to Banda Aceh soon.



ITEM 4: Review of Completed Shipments

Zhen-Zhen reviewed the completed shipments to date, totalling 43,141 MT / 148,695 cbm. In addition, the number of users has increased to 74.

ITEM 5: Cost Recovery

Mike Whiting briefed the group on how WFP Shipping Service was formed. WFP was requested to set up the service due to its expertise in shipping and logistics. While WFPSS is now populated by WFP staff, it remains a part of UN ORC and BRR, serving the humanitarian community with demand-driven sea transport for agencies participating in the recovery effort in Aceh and NAD-Nias.

The initial funding of \$24.7 million was stretched over 8-9 months as opposed to 4 since cargo shipped was significantly less than originally predicted. Large capital investments including handling equipment etc were made at the onset of the project therefore remaining costs include vessel hire, fuel and staffing to run the operation.

While the team is working to get additional funding, the Shipping Service must introduce cost-recovery as of 1 August 2006. He pointed out that WFPSS offers much more than sea transport including cargo consolidation, logistics coordination, loading/offloading of cargo etc... He told the group that IFRC and BRC have done some shipments commercially therefore agencies who want advice as to what is involved they may wish to contact them directly.

Andreas (IFRC) told the group that given his experience, he would not recommend that any agency attempt to hire their own LCT as it is a complicated process. He also told the group that the logistics involved is quite intensive as many considerations must be made therefore he recommends agencies to continue using the service.

As some agencies will likely be required to tender for transport services due to procurement procedures, WFP Shipping Service can provide the names of local operators. However, it should be noted that currently there are very few companies that are even willing to take on the task of transporting to the region as handling equipment is not in place and remote areas cannot often be reached.

Beginning in August, agencies will be invoiced for shipments and money will flow into and escrow account, which will be in the name of the Multi-Donor Fund (MDF). The cash generated for the operations will not be utilized until current funding runs out. Once the decision is made to phase-out the service, any remaining money will be utilized by the MDF for projects in Aceh NAD-Nias. It should be noted that rates were calculated basis cost-recovery only. There is not intention to make a profit.

The price list was passed out and agencies were advised that prices are subject to BRR approval and therefore not yet final. Some discussion took place regarding trucks and



whether the agencies would be required to pay for the return leg of the trip with the empty trucks. Mischa told the group that the rates are basis round trip however this will be confirmed when the final price list is issued. BRC inquired about how the rates were calculated. Mischa explained that they were based on actual operating costs including and average time at load/discharge port, steaming time between ports, bunkering (fuel) costs and support costs for staffing etc. Agencies who wish to see the calculations are welcome to pass by the office. It should be noted that prices are highly competitive.

Finally, Mike urged agencies to review the price list and determine how the introduction of cost-recovery will affect their projects. Agencies should be aware that if the service is to cease operating, there are not currently any other services in place that offer the same complete package. This is the agencies' opportunity to lobby for the continuation of the service therefore they were requested to draft short memos to BRR and UNORC stating what impact cost-recovery will have on their projects.

ITEM 6: AOB

Belawan Warehouse

WFP Shipping Service will no longer take on the rental of the transit warehouse in Belawan. Costs per MT for storage of cargo in the port warehouses are significantly lower than the rate WFPSS would be required to charge under cost-recovery.

Sibolga – Nias Ferry Service

The Sibolga-Nias Ferry operated by WFPSS will be terminated as of August 1st. Commercial operators have been encouraged to set up a similar operation. Therefore, they may contact agencies who use this route to determine current and projected use in order to assess the cost-effectiveness of tapping into the market.

The next user group meeting will be held at 1100 hrs on 14 July 2006.