



Judul : KAI to lead Indonesian consortium in high-speed rail project with china
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KAI to lead Indonesian consortium in high-speed rail project with China

Rail operator holds 25 percent of shares in joint venture of SOEs

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The Jakarta Post/Jakarta

With the Jakarta-Bandung high-speed railway project drawing closer to completion, the government wants to put state-owned rail operator PT Kereta Api Indonesia (KAI) in charge of a consortium of four state-owned enterprises (SOEs) that holds the majority stake in the Indonesian-Chinese project.

Deputy SOEs Minister Kartiko Wirjoadmodjo said the shift was expected to solve many problems surrounding the project, from a lack of funds to operational issues, as construction being more than 74 percent complete.

With KAI in charge of the Indonesian consortium, PT Pilar Sin-

ergi BUMN Indonesia (PSBI), the government is also planning a state capital injection to relieve the rail-way operator of financial pressure.

"We are planning to make KAI the leader of the consortium [PSBI]. We are devising a new presidential regulation for KAI to become the main player, to solve [the remaining problems] and to operate the high-speed trains," Kartiko told lawmakers during a meeting at the House of Representatives on Thursday.

Construction company PT Wijaya Karya (WKA) with a stake of 38 percent in PSBI, has been leading the consortium so far, followed by KAI and plantation company PTPN VIII with 25 percent each and toll road operator PT Jasa

Marga holding 12 percent.

PSBI holds 60 percent of the Jakarta-Bandung high-speed railway project, while China Railway International holds 40 percent. The railway service is designed to cut travel time between Jakarta and the West Java capital of Bandung to 45 minutes from the current three hours or so.

When contacted by *The Jakarta Post*, KAI and the SOEs Ministry were not immediately available for comment as to how giving KAI a leadership role in the project would affect the other shareholders.

By putting KAI in charge of the SOEs consortium, the government aims to solve at least three problems.

The first is a lack of base equi-

ty due to misallocation and a legal study error at the outset of the project that caused the consortium to fail to provide the necessary amount of equity. That problem is to be solved with a Rp 4.36 trillion (US\$ 299.77 million) state capital injection into KAI.

The second is a cost overrun estimated at \$1.4 billion to \$1.9 billion due to delays in land acquisition blamed on overly optimistic planning. The government is negotiating with China Development Bank (CDB) to finance 75 percent of the overrun cost so that the government would only need to provide an additional Rp 4.1 trillion through a state capital injection for KAI.

Third, the government fears an initial cash deficiency in the op-

erational phase. China has offered to provide cash deficiency support (CDS) through a loan from CDB but demands the creation of a sinking fund with KAI as the host, which has prompted the government to provide assurance.

"We have discussed the possibility of negative cash flow at the beginning of the operation. To solve it, we have a financing scheme through CDB," Kartiko said.

The government also faces a budget overrun with another project involving KAI, namely the LRT caused by delays in land acquisition and construction interest expenses. To solve that problem, the government plans to provide another state capital injection of Rp 2.7 trillion through KAI.