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The Performance Analysis of the Shipping Line Industry in Indonesia Amidst the Covid-19 and Global Economic Uncertainty Conditions

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ABSTRACT

The maritime sector and its associated businesses, like shipping lines, serve as the connecting framework for global economic expansion and are crucial to the advancement of human society at large. This essay seeks to give a general overview of how Indonesia's maritime industry and shipping line companies are affected by the unpredictability of the world situation. We examine secondary data from the following annual financial reports from publicly traded businesses active in shipping and logistics over the five year from 2017 to 2021. From the data, we know that from a total a 165 company publicly listed companies in Indonesia engaged in logistics, 94 of them have a sea freight business, with 84 companies are 3PL businesses, 5 others are shipping agencies and 4 companies are known to have shipping line services such as tankers, containers, LNG, and dry bulk (SMDR, SMIN, TMAS, BLTA) (SMDR, SMIN, TMAS, BLTA). From the nine observed companies with their ships, the majority of observed companies in 2019 had gradually decreased equity during Covid-19, and even in early 2021, one company was not only losing equity but also had negative equity of Rp. -110 billion, forcing it to cease operations (go bankrupt) or obtain new funding to survive. However, it's interesting to note that one organization demonstrated that it was able to perform better than it had before the pandemic, demonstrating that each business or organization has a different degree of resilience based on its strategy.

1. Introduction

The VUCA World has already been traversed. The BANI World must now be faced. Volatility, Unpredictability, Complexity, and Ambiguity were the foundations of the VUCA world. We now live in the BANI World, which stands for Brittle, Anxiety, Non-Linearity, and Incomprehensible, as described by the anthropologist, historian, and futurologist Jamais Cascio [1]. History demonstrates that the foundation of global commerce and economic expansion is maritime infrastructure and transportation. Shipping, which transports more than 80% of all goods worldwide, contributes to the more equitable distribution of the advantages of trade and commerce [2]. Since no nation is

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completely self-sufficient, every country relies on maritime trade to purchase and sell goods. A significant portion of what we use and consume daily has been transported by water or will be in the future in the form of raw materials, components, or finished goods. Maritime transportation and infrastructure connect in a global supply chain network that contributes to human globalization. The adaptability, development, and resilience of maritime transportation and infrastructure services are continuously put to the test as a result of advancing technology and contemporary problems. Since the past ten years, despite the US-China trade war up until 2019, the world's shipping, maritime transportation, and infrastructure have demonstrated their resilience and even continued to have a positive impact on trade, the provision of maritime services, and infrastructure, with a 6% global supply growth and a 2.6% global demand growth [3].

The global Covid-19 pandemic catastrophe started in China and spread to almost all of the world's nations by the end of 2019. This infrastructure will be put to another resilient test at that time. Various policies to stem the spread of the virus that causes Covid-19 are carried out by governments around the globe, where one of the policies adopted is to lock down areas to state lockdowns. The International Monetary Fund (IMF) 2022 projects that as a result of this strategy, the world's economic growth rate will decline by -4.9% in 2020, with developing countries' average declines being -3% and developed countries' average declines being -8%. The global transport line industry's speed and the supply chain are both impacted by this. Oil tanker freight market trends were impacted by lockdowns brought on by the pandemic, geopolitical events, and changes in oil prices, which kept freight rates high during the first quarter of 2020 [4]. Even though there was an oversupplied fleet market and low demand during this time, the freight rates market saw extremely volatile trends. Tanker rates spiked in March and April 2020 are due to higher demand for these vessels despite a sharp decline in global demand for crude oil and petroleum products as a result of the pandemic. The shipping sector declined by 3.8% in the first half of 2020, according to UNCTAD. However, maritime commerce rose by 4.3% [5]. The ability of the shipping industry to respond to the crisis caused by the outbreak resulted in only minor delays to the logistics supply chain. This gives a fairly complete picture of the efforts made by large container shipping companies to respond to Covid-19 and the actions taken in this situation [6]. Especially when it comes to ensuring the delivery of necessities like sanitary products, electronic components, food, and fruits during epidemics, ships deliver goods to every part of the world. Being a maritime nation, Indonesia is not immune to the effects of world events. This study seeks to give an overview of how the uncertain world situation has affected the maritime industry and shipping line companies.

2. Methodology

Ships transport goods across the world, particularly when it comes to ensuring the delivery of necessities like sanitary products, electronics, food, and fruits during epidemics. This study seeks to give a general overview of the effects of the uncertain global situation on the maritime sector and shipping lines business because Indonesia is a maritime nation and is not immune to the effects of global issues that arise [7].



Fig. 1. Indonesian port and special terminal distribution chart

3. Result

3.1 Potential of the Indonesian Logistics and Freight Forwarding Industry

The geography and location of Indonesia, an archipelago of 17,449 islands and mountains spanning a total area of 7.81 million km², makes it the most difficult region in the world for logistics. Water covers 3.25 million km² of the entire area, and the Exclusive Economic Zone is 2.55 million km². There is only about 2.01 million km² of land. With the extent of the existing sea region, Indonesia has tremendous marine and fishery potential [8]. Based on the Logistics Performance Index for 2018 (LPI) [9] as in figure 1, Indonesia is placed 46th, with a total of 3.227 ports [10], 2021 will see 632.000 km of rail and 548.423 km of linked roads [11] and ranked 24th as the world's biggest importing and exporting nation with a logistic market worth USD 55.9 billion in 2018 (with a CAGR of 7.9% predicted over the following five years). This include the USD 29.7 billion freight forwarding industry, the USD 20.7 billion warehousing market, the USD 3.3 billion courier and parcel market, and the USD 2.2 billion value-added services market [12].

3.2 List of Indonesian Logistic Operator Companies

In Indonesia, 174 operator companies operate in the logistics business, of which 5% (9 companies) are foreign logistics companies and 95% (165 companies) are local logistics companies, according to tracking and data collection (fig. 2). Out of the 165 local businesses, 94 are engaged in the sea freight industry, with the majority operating as 3PLs, followed by 5 ship agencies and 4 shipping lines that operate as tankers, dry bulk, offshore, and container carriers.

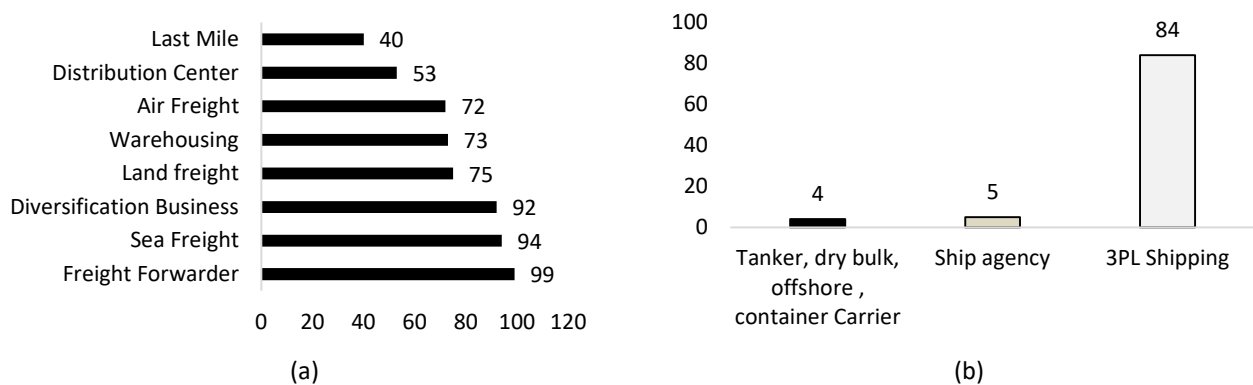


Fig. 2. Figure (a) 8 different businesses in the logistics field out of the 174 local companies, (b) 9 local public companies that have their ships. The remainder is 3PL, which is rented to other businesses.

The nine companies that have their ships are the focus of this study, and they are listed in table 1 below.

Table 1

The chosen 9 local ship-owning public marine freight companies

Code	Company	Ships Services
SMDR	PT Samudera Indonesia Tbk	Container shipping, tanker, dry bulk cargo, offshore carrier, ship management, crew management, ship agencies
SMIN	PT. Pelita Samudera Shipping Tbk	Dry bulk cargo, tug and barges ships, floating loading facility
TMAS	PT Temas Tbk.	Container carrier
NELY	PT Pelayaran Nelly Dwi Putri Tbk.	Oil and gas delivery services, ship passenger and charter ship services
BLTA	PT Berlian Laju Tanker Tbk	Container carriers, tankers, tug, and barges ships.
DEAL	PT Dewata Freight International Tbk	Container carrier
AKSI	PT Maming Enam Sembilan Mineral Tbk	Ship passenger, container carrier, tug, and barges ships
PPGL	PT Prima Globalindo Logistik Tbk.	Container carrier
KJEN	PT Krida Jaringan Nusantara Tbk	Container carrier

3.3 Comparison of Shipping Line Company's Yearly Financial Performance

The information in tables 2 and 3 below is based on tracking financial performance data reports from the nine publicly traded logistics and shipping businesses from 2017 to 2021.

Table 2

Comparison of shipping line company success from 2017 to 2022

Code	Company	Equity (in Billion Rupiah)				
		2017	2018	2019	2020	2021
SMDR	PT Samudera Indonesia Tbk [13-15]	4,145	4,440 \uparrow	3,431 ∇	3,411 ∇	5,446 \uparrow
SMIN	PT. Pelita Samudera Shipping Tbk [16,17]	829	1,039 \uparrow	1,231 \uparrow	1,333 \uparrow	1,636 \uparrow
TMAS	PT Temas Tbk. [18,19]	1,023	1,069 \uparrow	1,183 \uparrow	1,211 \uparrow	1,542 \uparrow
NELY	PT Pelayaran Nelly Dwi Putri Tbk. [20]	385	423 \uparrow	462 \uparrow	499 \uparrow	492 \uparrow
BLTA	PT Berlian Laju Tanker Tbk. [7,21]	445	419 ∇	426 \uparrow	394 ∇	457 \uparrow
AKSI	PT Maming Enam Sembilan Mineral Tbk [22,23]	83	110 \uparrow	114 \uparrow	106 ∇	131 \uparrow
PPGL	PT Prima Globalindo Logistik Tbk. [24,25]	15	24 \uparrow	66 \uparrow	85 \uparrow	124 \uparrow
KJEN	PT Krida Jaringan Nusantara Tbk [26,27]	22	37 \uparrow	66 \uparrow	64 \uparrow	62 ∇
DEAL	PT Dewata Freightinternational Tbk [28,29]	17	124 \uparrow	126 \uparrow	75 ∇	(35) ∇

Table 3

The shipping line company's increasing and decreasing stock

Code	Company	Increasing and Decreasing Equity (in Billion Rupiah)				
		2017	2018	2019	2020	2021
SMDR	PT Samudera Indonesia Tbk		295	(1,009)	(20)	2,036
SMIN	PT. Pelita Samudera Shipping Tbk		210	192	102	302
TMAS	PT Temas Tbk.		46	114	28	331
NELY	PT Pelayaran Nelly Dwi Putri Tbk.		38	39	37	(7)
BLTA	PT Berlian Laju Tanker Tbk		(25)	7	(32)	64
AKSI	PT Maming Enam Sembilan Mineral Tbk		27	4	(7)	24
PPGL	PT Prima Globalindo Logistik Tbk.		9	43	19	39
KJEN	PT Krida Jaringan Nusantara Tbk		16	28	(2)	(2)
DEAL	PT Dewata Freightinternational Tbk		107	2	(50)	(110)

Several intriguing data points and results from tables 2 and 3 are the world economy was still operating normally in 2018, before the global pandemic Covid-19, but BLTA Company experienced a decline in performance, which effect a reduction in the equity value of Rp. 25 billion. Second, when Covid-19 struck the world at the end of 2019 with ICT disruption and global and domestic policy changes like lockdown, the effect on consumer behavior ultimately followed [30]. Only SMDR was found to have suffered a drop in performance and equity losses totaling Rp1.009 billion.

Table 4 shows how each company's 2020 strategies generally suffer. Because every business is aware of the challenging and uncertain state of the local and global economy, the government has implemented several regulations like lockdowns and the "new normal" that has made life very difficult for shipping line companies. For instance, a container shortage brought on by the slow movement of goods or a container that is locked in multiple nations has increased uncertainty in the scenario.

Table 4

The 2020 and 2021 strategic decisions made by each business

CODE	COMPANY	Strategic Decision	
		2020	2021
SMDR	PT Samudera Indonesia Tbk	Turning crisis into opportunity	Riding the wave
SMIN	PT. Pelita Samudera Shipping Tbk	Resilient through business diversification	Raising the bar high in a milestone year
TMAS	PT Temas Tbk.	Securing national distribution & stability	Capturing opportunities through digitalization
NELY	PT Pelayaran Nelly Dwi Putri Tbk.	Growth	Growth and maintain
BLTA	PT Berlian Laju Tanker Tbk	Selected market segment	Riding the wave
AKSI	PT Maming Enam Sembilan Mineral Tbk	Focused to invest	Consolidation to growth
PPGL	PT Prima Globalindo Logistik Tbk.	Find a potential market area for Growth	Creating winning strategies
KJEN	PT Krida Jaringan Nusantara Tbk	Facing Challenges With Optimism Towards Growth	Growing for A Stronger Foundation
DEAL	PT Dewata Freightinternational Tbk	Strengthening commitment in a new normal era	Seizing opportunities providing excellence

Each business in this situation has a unique relative position in the market (strengths and weaknesses), as well as resource capability and constraint. They will eventually be forced to behave in their own best interests. Table 4 below shows the strategic decisions made by each company to address the new challenges. This year, in addition to SMDR's equity loss of Rp. 20 billion, other

shipping line companies suffered losses of Rp. 32 billion from BLTA, Rp. 7 billion from AKSI, Rp. 2 billion from KJEN, and Rp. 50 billion from DEAL.

We can see from the data in Fig. 3 that SMDR (PT. Samudra Indonesia) not only managed to survive and recover in the harsh uncertain condition but also outperformed the performance conditions before the pandemic, with a gain equity growth of Rp. 2.036 billion or total equity Rp.5.446 billion. The year 2021 is when every company realizes the success or failure of the strategic decisions they implemented in 2020.

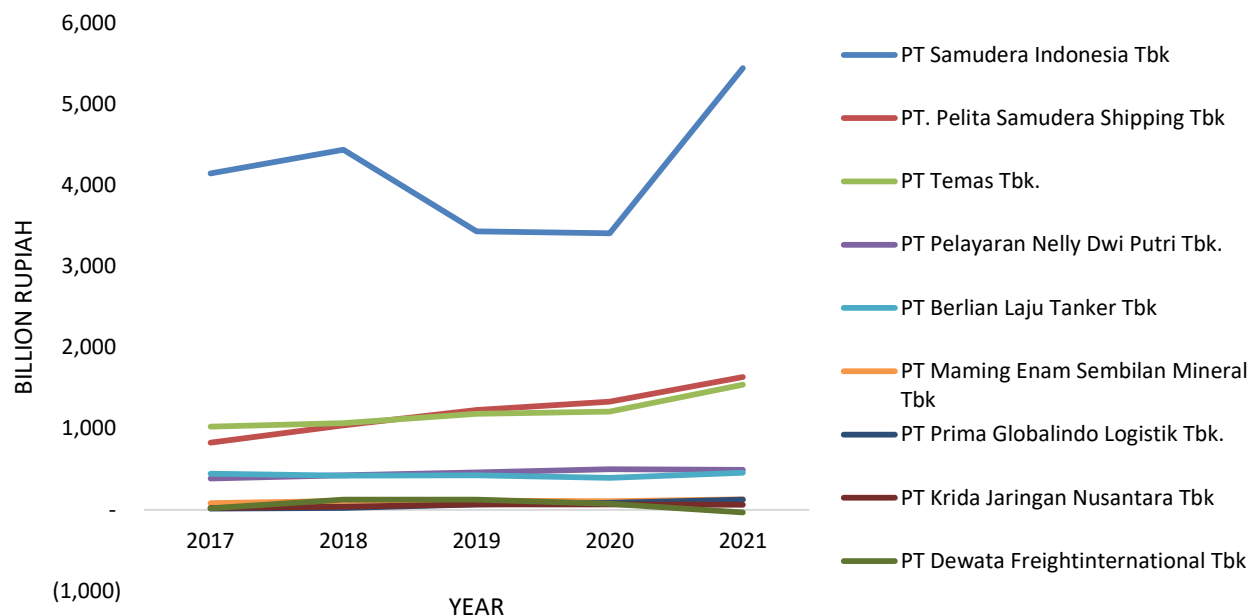


Fig. 3. Equity financial performance from the 9 companies from 2017 until 2021, demonstrates the struggling of each company amid the uncertain market condition of global covid-19

Meanwhile, in the same year, while the majority of shipping line companies were able to survive and grow in equity through their strategy choices, three other shipping companies experienced equity loss, including NELY (Rp. 7 billion), KJEN (Rp. 2 billion), and DEAL (Rp. -110 billion), which forced them to cease operations.

According to our viewpoint, each business or organization will have a distinct approach to its business strategy, marketing strategy, and operational strategy. The decision regarding how much will be spent on capital expenses for new investments or revitalization assets to improve their business performance capability, and the strategy to maintain the operational expense or operational expense as efficiently as possible, will therefore be related to how they maintain or to grow their market positions [31,32].

4. Conclusion

This essay has looked into and given a broad overview of the effects of the unpredictability of the world situation on Indonesian shipping lines and the maritime industry. Because of factors such as the industry's intrinsic characteristics, each company's economies of scale, and capital level, among others, it is possible to respond differently to an uncertain situation. When Covid-19 struck the world at the tail end of 2019, it was observed that the biggest business in terms of capital and economic scale was being hit the hardest (SMDR experienced a decline in performance and equity losses worth Rp. 1.009 billion). Every company will come to understand the challenging and

uncertain conditions of global supply and demand and regional economies in 2020, and the implementation of several new government regulations, including lockdown and the "new normal," will present significant challenges for shipping line companies. From the data, we can see that SMDR not only managed to survive and recover in the harsh uncertain condition but also outperformed the performance conditions before the pandemic, with gain equity growth of Rp. 2.036 billion or total equity of Rp. 5.446 billion. 2021 is the year in which every company realizes the success or failure of the strategic decisions they implemented in 2020, While three other shipping companies experience declines in equity, including NELY Rp. 7 billion, the majority of shipping line companies can survive and increase in equity, The KJEN 2 billion and final deal Not only did they lose equity, but they also had negative equity of Rp. 110 billion, forcing them to cease activities. This serves to support and strengthen earlier study conclusions that certain growth strategies have had a substantial impact on both operational and financial performances. It is also demonstrated that each business or organization has a different degree of resilience in the face of uncertainty. Every business or organization has a distinct approach, which will have an impact on its marketing, business, and operational strategies. The decision regarding how much will be spent on capital expenses for new investments or revitalization assets to improve their business performance capability, and the strategy to maintain the operational expense or operational expense as efficiently as possible, will therefore be related to how they maintain or to grow their market positions.

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