

CERAMICS

Production can grow 10%, if gas shortage is solved

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The Indonesian ceramics industry will be able to grow between 7 and 10 percent this year if the government meets its promise to help secure gas supplies for the industry, an association of ceramic tiles manufacturers has said.

Indonesian Ceramics Industry Association (Asaki) secretary-general Elisa Sinaga said Monday that with additional gas supply, the ceramics tile producers would be able to use their idle production facilities which were not used last year due to low demand in the world market as a result of the downturn.

"Our utilized capacity stood at 80 percent on average in 2008 and

2009. So, there is still spare capacity of about 20 percent," he said during a visit by Industry Ministry officials to the factory of publicly listed ceramics producer PT Arwana Citramulia's in Serang, Banten.

The country's ceramics producers have total installed capacity of 334 million square meters a year. They only produced about 260 million square meters last year due to lower demand and gas shortages.

The industry totals 88 ceramics producers comprising 46 tile makers, four sanitary producers, 18 tableware producers and four roof tile makers, he said.

Elisa said there were three to four ceramics firms in Jakarta, East Java and Sumatra that were currently expanding their plant. He said some of the expanded plant would com-

mence operations later this year.

But even with the expansion plans, it "will be hard [to meet the growth target], with gas [supply] still being a problem and without the government's help", Elisa said.

Industry Minister M.S. Hidayat recently said the government had agreed not to extend expired liquefied natural gas (LNG) export contracts to help meet domestic needs.

Local industries have been hit hard by gas shortages because the larger part of the country's gas production is exported as LNG.

Gas is used by manufacturers of ceramics, float glass, processed food, textiles — particularly garments and yarn — wood-based products, and downstream chemical products — such as rubber gloves — steel-based products, base metal and cement.

The association has raised concerns not only about the lack of gas supply but also the high price of gas. The government is considering increasing LNG prices by 10 percent from the current US\$5.5 per million British thermal units (MMBTU) to around \$6.05 per MMBTU.

Elisa said that gas prices contributed 30 percent to operational costs, and thus, a 10 percent increase in gas prices would cause operational costs to rise by 3 percent, which is "very significant for an industry".

The LNG price here is higher than in Malaysia which sells LNG at \$4.4 per MMBTU. He said that the local ceramics industry was expected to be able to export 20 percent of this year's production. Last year, the industry exported about 10 percent of total production raising foreign exchange of about \$20 million.