



## **REPORT OF THE IABC EXECUTIVE BOARD (2016 – 2018)**

### **PRESIDENT'S REPORT**

Ladies and Gentlemen,

Good afternoon and thank you for attending the Annual General Meeting of the Indonesia-Australia Business Council.

I will not dwell on the macroeconomic situation as you are all very familiar with it, experiencing it day by day. While many businesses are facing challenges brought about by the volatile economy amidst the escalating Trade War between the two largest economies of the world there is one bright spot: the completion of the negotiations around the Indonesia-Australia Comprehensive Economic Partnership Agreement or IA-CEPA.

Many of you were present at the Indonesia-Australia Business Forum in Jakarta on 1 September where Australian Prime Minister Scott Morrison and Indonesian Vice President Jusuf Kalla briefed the business community on the conclusion of the IA-CEPA negotiations. The two leaders are optimistic that the agreement will be ready for signing by both heads of government by the end of the year. The Vice President and the Prime Minister expressed their high hopes on much improved business relations between the two countries.

Specifically, Vice President Jusuf Kalla expected more investment from Australia in Minerals, Health, Higher Education, Technical Vocational Training and Tourism as a tangible outcome of IA-CEPA, thereby implying that the stringent regulatory framework may make special provisions for Australian businesses.

Mr. Morrison said that trade between the two countries has been underdone for many years. Agriculture and investment should derive direct benefits from agreement and he mentioned the closer cooperation between Indonesia and Australia beyond the economy. Prosperity, Security and Unity are objectives shared between the two countries, and he emphasized that there can be no Prosperity without Security and that the good relations between the two countries will benefit the entire Indo-Pacific region. He also mentioned that Australia would contribute to the protection of the oceans of Indo-Pacific.

Reverting to IA-CEPA, you all are aware that the IABC played an active role in providing input from the business sector to the bilateral negotiations. Together with KADIN Indonesia and APINDO on the Indonesian side and the Australian Chamber of Commerce & Industry, the Australia Industry Group and AIBC on the Australian side we formed the Indonesia-Australia Business Partnership Group or IA-BPG that provided joint submissions to both Ministers for Trade. The IA-BPG has expressed the wish to be involved in the future as one group to ensure that the joint submissions will be heeded by both governments. This is one task that the new board will have to take up with the other members of the IA-BPG.

Please allow me at this point to address an internal, organizational matter. The board that is about to conclude its term established a Nominating Committee on 12 December 2017 to come up with candidates for IABC President. This is a departure from past practice where the task of finding a candidate was borne solely by one person, i.e. our founder Pak Moetaryanto or MP as he is affectionately known. We should not put this burden on the shoulders of one person and I recommend that a Nominating Committee be established anytime a President of IABC is about to conclude a second term, or toward the conclusion of the first if the incumbent is not prepared to be nominated for a second term. The first Nominating Committee commenced work on 30 January and completed its assignment on 22 May.

I would like now to outline the highlights of IABC over the last two years.

## **FUNCTIONS**

Introduced 18 years ago in 2000, the IABC members gatherings have proved to be immensely popular over the years and continue to attract a large number of people who look at this event as a great opportunity to network. The IABC monthly networking gathering is undoubtedly one of the most sought after networking functions in the Jakarta business community. Despite the drop in attendance at all business chambers' events in the past two years, the IABC managed to organize 18 Member's Gathering events which were attended by over 1,800 participants altogether. The IABC also organized two joint chambers networking each year with the American, Canadian and the Italian Chambers. IABC is the lead organizer on these events.

The events hosted by the Australian Ambassador (and events hosted by the Consul-General in Bali) are appreciated as adding stature to our presence.

The annual New Year Party, which is always held at the beginning of the year, was a great success with over 200 people attending this evening of great food, wine, entertainment and fun. In the past few years, the event was also attended by young Australian students who were part of the New Colombo Plan.

The IABC President's Golf Day was introduced as an IABC activity in October 2008. The purpose of this activity is to provide IABC members with a social game of golf as well as networking. The IABC President Golf Days has become a regular IABC program.

Over the past two years, we have held several breakfast briefings and business luncheons. We have also assisted our branches in organizing their events. We supported many non-IABC events that provide value-added benefits to members.

The major event held was the biennial Business Conference, held in Surabaya on 5-7 November 2017 with the theme "Making It Happen – Getting Trade and Investment Moving".

The Conference was very well attended with over 130 delegates. It was preceded by an informal golf event, with participants competing for the Sabam Siagian Trophy, in memory of our late very popular past president, who passed away on 3 June 2016. Complete sessions notes and photos of the Conference, and summaries published in our newsletters (Nos 185 and 186), can be accessed on the IABC website, [www.iabc.or.id](http://www.iabc.or.id)

## MEMBERSHIP

IABC membership has declined slightly over the last two years. The numbers we present do not include members at IABC branches in Central Java, East Java, Yogyakarta, and Bali. The total number of members in our branches is around 120. The Treasurer will submit his report after this, but I believe that almost all membership fees for 2018 have been paid. Financially, the IABC is also healthy, as the Treasurer will explain more in his report.

Membership details for the past two years are:

<b>MEMBERS</b>	<b>2016</b>	<b>2017</b>
Corporate	145	138
Corporate Additional	23	19
Individual	51	37
IKAMA	2	1
<b>TOTAL</b>	<b>221</b>	<b>195</b>

## PUBLICATION

The IABC publishes its own newsletter and it continues to be well received by our members and readers. Its circulation is currently 300 and it is distributed free of charge to our members, IABC Branches, the AIBC in Australia, foreign business chambers in Indonesia, government ministries/officials in Indonesia and Australia and to offices of AustCham and other Business Councils in Asia. Copies are also distributed at IABC functions.

## **BRANCHES**

IABC Branches in Semarang (Central Java), Yogyakarta, Surabaya (East Java) and Bali continue to actively organize events relevant to their regions and membership.

IABC Bali branch organizes monthly networking functions taking the same format as the IABC Members Gathering in Jakarta and are well attended. IABC East Java concentrates more on factories or businesses visits and small seminars, while IABC Central Java organizes business meetings jointly with local business groups such as KADIN Central Java and HIPMI Central Java. IABC Yogyakarta emphasizes more on education and business and has already organized a few missions of Indonesian Private Higher Education Association (APTISI) members to visit and to sign MOUs of Cooperation with Australian Universities.

## **INTERNATIONAL COOPERATION**

International cooperation is undertaken by the IABC through the International Business Chamber (IBC). The IBC is a semi-formal grouping of 20 'foreign' chambers (including the IABC), representing the business interests of their respective areas of the world - all continents except the African and South American continents. The only members of the IBC are the chambers themselves.

Nominated representatives meet on a monthly basis to hear and discuss reports from chairpersons appointed to monitor general trends and specific areas of concern, namely healthcare, infrastructure, insurance, investment, manpower, mining, and taxation. The IABC's nominated representatives have been Peter Fanning and John Ackerman.

The IABC has from time to time held joint chambers networking evenings with the American Chamber of Commerce in Indonesia (AmCham), the Indonesia Canada Chamber of Commerce (ICCC) and the Italian Business Association Indonesia. As numbers dwindle, foreign chambers are increasingly interested in holding joint functions.

The IABC is a founder member of the Australia-ASEAN Chamber of Commerce (AustCham ASEAN), incorporated as a society in Singapore to meet ASEAN requirements to be ASEAN-based. AustCham ASEAN played a prominent role in the ASEAN Special Summit in Australia in March and continues to monitor Australian business activity within ASEAN. The IABC is also a member of Australian Business Asia (ABA), an informal networking group of 17 Australian chambers (AustCham) and business councils around Asia. We participated in an ABA conference in Kuala Lumpur in November 2016.

## **SPONSORSHIP**

Finally, I would like to say a few words about sponsorship. An organization cannot survive without adequate financing. I am glad to report that the IABC enjoys a high level of support from sponsors, which takes the pressure off membership fees. On behalf of the IABC board I would like to extend our sincere thanks to all current IABC Corporate sponsors – ANZ Bank, Commonwealth Bank, Coca-Cola Amatil Indonesia, BlueScope, and Jababeka.

Also, I would like to thank all the sponsors of the IABC Conference, Members Gatherings and the IABC New Year Party. Thanks also to Jababeka Golf and Country Club for sponsoring the IABC President's Golf Day for the past ten years.

## **CONCLUSION**

The last two years have been successful for the IABC although quite challenging in maintaining the level of membership and the level of attendance at events. We have remained an influential business organization that is playing an important role in representing the views of the bilateral business community in Indonesia. IABC has remained as strong as ever due to the support of our members. On behalf of the IABC board I would like to sincerely thank all members for continuing to support the organization. Our main objective has been to provide value for money and to be, and remain, relevant to our members. The IABC will strive to be organization that is relevant because only organizations that are relevant will be sustainable in the long term.

I thank my fellow 2016-2018 board members for their dedication to the organization amidst their busy schedules. We are grateful to the IABC advisors for their wise counsel. The presence of senior representatives of the Australian Embassy and Austrade at board meetings as advisors, and their sponsorship of events, are very much appreciated. The recognition and support given to the IABC by the Embassy is important to us.

Finally, on behalf of the board I extend our sincere thanks to our Executive Director Vic Halim and staff within the secretariat for doing a consistently outstanding job.

Thank you.

Jakarta, 27 September 2018

**Noke Kiroyan**  
**IABC President (2016-2018)**

## **REPORT OF THE IABC EXECUTIVE BOARD (2016 – 2018)**

### **TREASURER'S REPORT**

In striving to support the business activity of its members, and relations between Indonesia and Australia generally, the IABC is not in the business of making a profit. There is the constant challenge of managing activities as cost effectively as possible, while providing and funding activities at a satisfactory level.

Most funding for the organization comes from members' fees and sponsorships, supported by modest surpluses (on occasions) from regular events and a biennial boost from conference attendance. We ask for and receive no government grants.

The IABC uses a financial year based on the calendar year, but as elections are every two years we take this opportunity to report generally on the past two calendar years.

Significant events over the past two years have been the approval by the Ministry of Law and Human Rights of the IABC as a legal association (it was not illegal before, it was simply unincorporated), a well-managed (by previous Treasurer Phil Shah) legitimisation under the tax amnesty programme of all our funds, the institution of full compliance with tax and social security obligations as for any legal entity (in place of informal arrangements previously in place), and, the first external audit of our financial statements (for the 2017 year) with the support from our good friends at RSM Indonesia.

As a result of our increased level of compliance (principally the one-off cost of the tax amnesty in 2016 and then a catch-up with income tax payments in 2017), we had an operating loss of approximately Rp 1.16 billion during 2016, dropping to Rp 505 million in 2017. Given that we maintained the surplus we did in order to meet possible tax

demands, and the fact that we are now 'clean and clear' and fully compliant, with net assets of nearly Rp 4.4 billion at the end of 2017 we believe we remain in a relatively strong financial position. With careful budgeting we will maintain our safety margin in spite of a reduction in the numbers of Australian investors in Indonesia, or at least reducing membership. Some would hold that the number of Australian investors is not in fact dropping, although the level of their activity might be.

2017 saw a decline of about 12 percent in revenue and membership numbers as compared to 2015.

The monthly Members Gatherings are one of the most visible and regular features of the IABC calendar. These are still well attended considering the somewhat restrained economic and investment environment (some would say because of it). There was a net deficit of Rp 48 million in funding these events due to increasing costs in providing quality events for our members and the challenges in attracting sponsorship.

We greatly appreciate the contribution of some very loyal hotels, event sponsors and corporate sponsors for their partnership with the IABC throughout the year. We thank these hotels and sponsors sincerely. They are identified appropriately in our literature.

I would like on your behalf to thank Vic and his team at the IABC Secretariat for their support during the past two years. They have earned our commendation and appreciation for their sustained and successful efforts in serving our members and supporting the Board.

Let me also take this opportunity to thank the outgoing Executive Board and the Advisors to the Board, who have been a pleasure to work with and to wish the new Board the very best for its new term of office.

Most importantly, thanks to you our members for your support.

**Peter G Fanning**  
**IABC Treasurer (2016 – 2018)**

**INDONESIA AUSTRALIA BUSINESS COUNCIL  
OPERATING RESULT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<u>IDR</u>
Memberships	675,192,725.00
Corporate Sponsorships	1,145,330,589.50
Functions & Events (Net Contribution)	(48,589,418.00)
IABC News (Net Contribution)	(98,149,135.00)
IABC Conference (Net Contribution	444,670,159.00
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Net Revenue	<u>2,118,454,920.50</u>
General & Administration Expenses	
Salaries & On-Costs	1,863,354,498.00
Occupancy Costs	426,925,293.68
Travel & Transport	97,295,987.00
Communications	56,365,065.00
Others G&A	<u>218,097,604.93</u>
Total General & Administration Costs	<u>2,662,038,448.61</u>
Operating Surplus / (Deficit)	(543,583,528.11)
Other Income (Expense):	
Interest, foreign exchange, bad debts & other charges	38,586,795.51
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Net Change in Assets for the Year	<u>(504,996,732.60)</u>