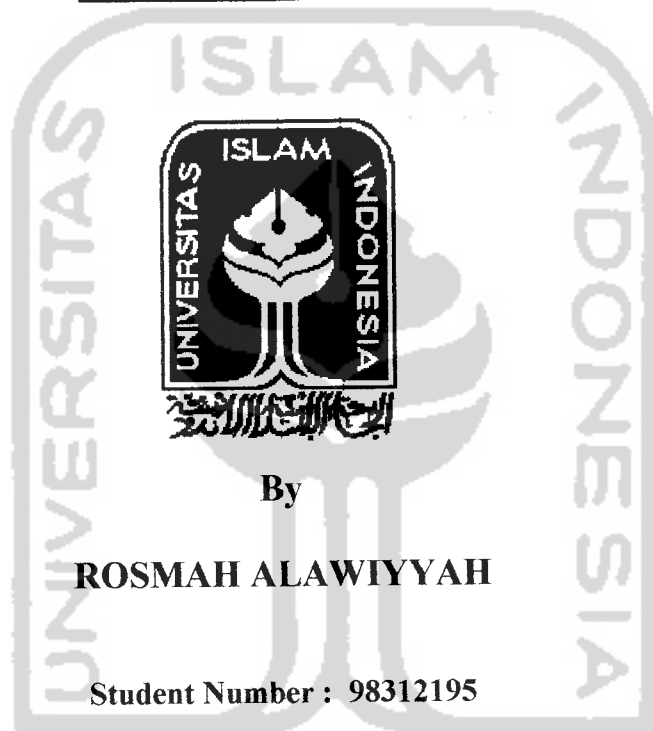


**THE EVALUATION OF PRICE DETERMINATION OF LPG
IN INDONESIA
(CASE STUDY AT PERTAMINA JAKARTA)**

A BACHELOR DEGREE THESIS

**Submitted as Partial Fulfillment of the Requirements
To Obtain the Bachelor Degree in Accounting Department**



By

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YOGYAKARTA**

2003

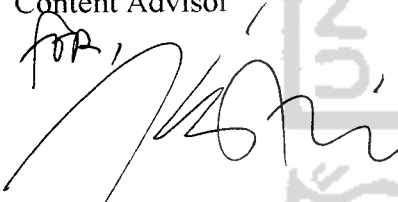
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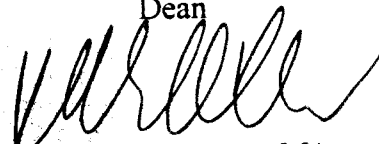


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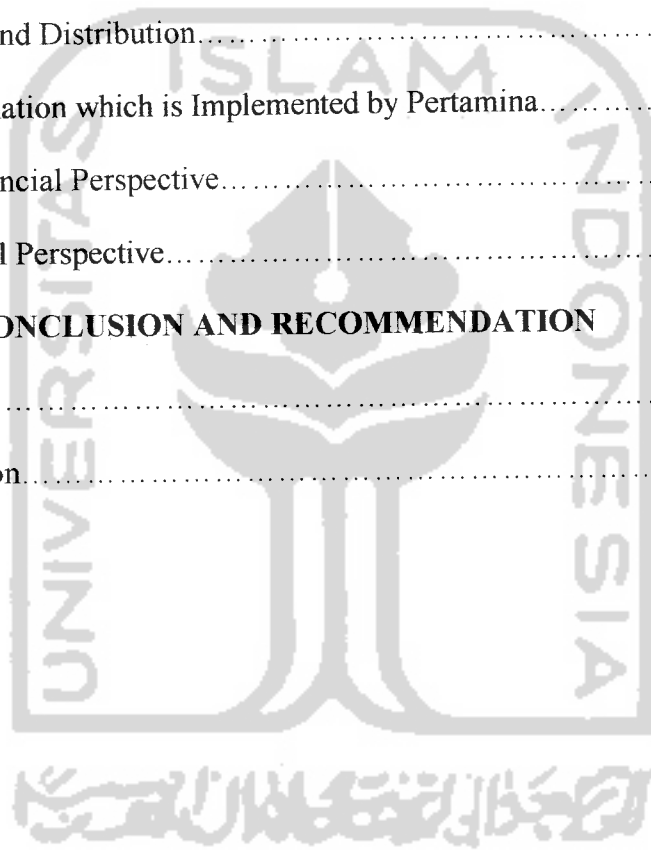
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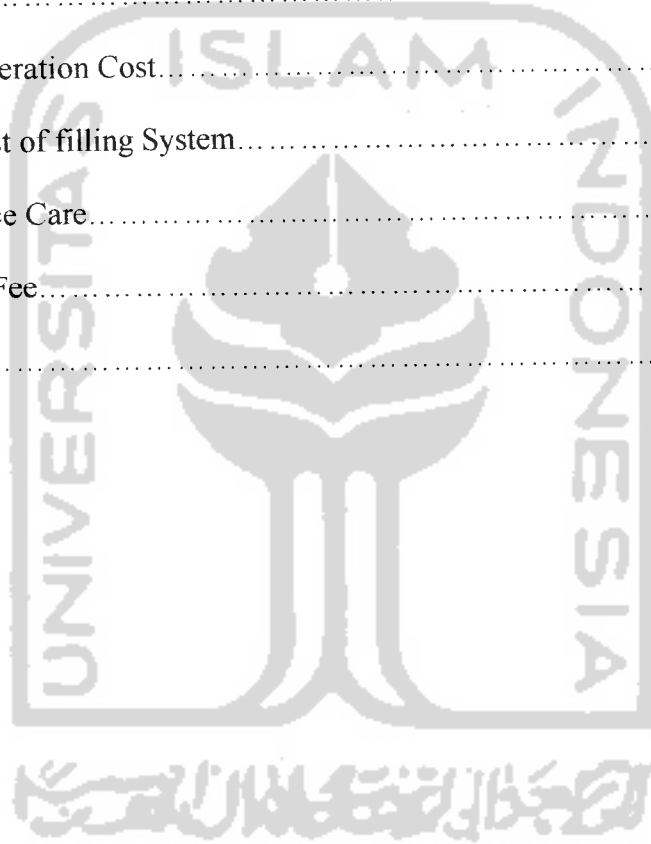
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ABSTRACT

Alawiyyah, Rosmah(2003). **The Evaluation of Price Determination of LPG in Indonesia.(Case Study at Pertamina Jakarta).** Yogyakarta: Accounting Department, International Program, Faculty of Economics, Islamic University of Indonesia.

Pertamina as the state owned company until the establishment of UU No. 22 Th. 2001 was characterized as an organization, which is have protection and privilege from the government. This condition was supported by the existence of Chapter. 33 verse 2 and 3, in which oil and gas are considered as strategic commodity that controls the life of many people. By this thought, government finally decided that the right to manage and use such resources is a privilege of the state. One of the products of Pertamina is Liquefied Petroleum Gas or LPG. Since it was first launched in 1966, it has never been a profitable product for Pertamina. For some reasons, the price of this product was set under the cost of production even in its first launch. Things have been changed since the establishment of UU No. 22 Th. 2001. By this law, Pertamina will have to compete fairly in oil and gas market with the other competitors. This could only mean one thing, that Pertamina should start to be a profit – oriented company.

This study is conducted to find out the clue behind the current issue of increasing price of LPG in the market. There are many pros and cons in the society about the policy of Pertamina in increasing the price of LPG. Each of these stands has its own argument. By maintaining its objectivity, this study describes the reality behind the phenomenon of LPG's price structure to find the cause of price setting problem of LPG.

This study is conducted throughout a descriptive study of LPG's price structure. Throughout direct observation in Pertamina, the researcher attempts to analyze the financial data of Pertamina in order to find the cause of LPG's problem. In general, the data analysis is conducted by doing a careful study of LPG's price structure.

The result of this study is that Pertamina had made a mistake by setting a cheap price for an expensive product. This was causing society to perceive LPG as a cheap product, whereas in reality this product has never been cheap at all in terms of production cost. In economic sense, increasing the price is reasonable to cover the losses. Moreover LPG department start to get the profit in running their business. By looking the price structure of LPG, it is rational to increasing the price because the price structure shows that the basic production cost is high.

ABSTRAK

Alawiyah, Rosmah(2003). Evaluasi Tingkat Harga LPG di Indonesia(Studi Kasus di Pertamina Pusat Jakarta). Yogyakarta:Departemen Akuntansi, Program Internasional, Fakultas Ekonomi, Universitas Islam Indonesia.

Pertamina sebagai sebuah perusahaan milik negara sebelum tercetusnya UU No. 22 TH. 2001 adalah sebuah badan usaha yang diberi proteksi dan privileg khusus oleh pemerintah. Kondisi ini didukung oleh adanya pasal 33 ayat 2 dan 3, dimana minyak bumi dan gas dianggap sebagai sumber daya alam yang startegis yang menguasai hajat hidup orang banyak. Oleh karena itu, pemerintah akhirnya menetapkan bahwa hak untuk mengelola minyak bumi dan gas adalah dimiliki oleh negara. Salah satu produk dari Pertamina adalah Liquified Petroleum Gas atau LPG. Sejak pertama kali diluncurkan pada tahun 1966, LPG belum pernah menjadi sebuah produk yang menguntungkan bagi Pertamina. Karena berbagai alasan, harga dari produk ini ditetapkan dibawah biaya produksi bahkan sejak pertama kali di produksi. Terjadi beberapa perubahan sejak dicetuskannya UU No. 22 Th. 2001. Berdasarkan UU ini, Pertamina harus menghadapi persaingan yang lebih berat dengan para kompetitornya. Ini berarti Pertamina harus mulai menjadi sebuah perusahaan yang *profit oriented*.

Studi ini dilaksanakan untuk menemukan jawaban dibalik masalah naiknya harga LPG di pasar. Ada beberapa pro dan kontra dalam masyarakat mengenai kenaikan harga ini. Tiap pendapat mempunyai alasan sendiri. Dengan berlandaskan obyektifitas, studi ini menggambarkan realita dibalik fenomena harga LPG.

Studi ini dilaksanakan dengan pendekatan deskriptif pada strukture harga LPG. Melalui observasi langsung pada Pertamina, peneliti berusaha untuk menganalisa data keuangan Pertamina untuk menemukan penyebab masalah LPG. Secara umum, analisa data dilakukan dengan cara mengevaluasi struktur harga Pertamina.

Hasil dari studi ini adalah bahwa Pertamina telah membuat kesalahan dengan menetapkan harga yang murah untuk sesuatu yang mahal. Tetapi dari segi ekonomi, menaikkan harga itu wajar, dan merupakan salah satu strategi untuk menutup kerugian. Terlebih bila melihat struktur harga LPG yang memiliki biaya pokok produksi tinggi. Sehingga menaikkan harga itu sesuatu hal yang beralasan, akan tetapi waktu penetapannya dirasa kurang tepat.

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The changes of the regulation have given an impact to Pertamina. Before the law No. 8/1971 is changed to Law No. 22/2001 by the government, the status of Pertamina is State owned enterprise, after being changed, it is now become an Incorporation.

To guarantee supply sustainability that always increases every year, Pertamina should change their trade system. The changes of the regulation give the opportunity to other company as new entrants to enter this business. Actually the old regulation does not block other investors to enter this business. However the fact shows that many investors are not interested in this business because of the price. The price of LPG (Liquid Petroleum Gas) is below the Break Even Point price. If the LPG price is set as an international market price, it will stimulate new entrants. In economic recovery processing, stimulation of new entrants will create new job opportunity. Furthermore, it will decrease the unemployment. Theoretically, if the price setting as a market price and the demand always increases, automatically new entrants will enter this business. In this case the barrier to entry of LPG business is the price that is lower than the market price. Therefore, setting new price is very important in order to stimulate the new investor and avoiding the deficit.

According to Wiharto, The General Manager of LPG (Kompas, November 6, 2000), Pertamina suffers losses for about 600-900 Billion Rupias every year. This situation will not happen if Pertamina setting a proper price. It is very essential for Pertamina to set a new price. Ikbal Hasan, The manager of LPG (Pertamina.com, March 23, 2002), announced that Pertamina would increase the price of LPG step by step. Ikbal said that the loss is caused by the cost of production, which is not in balance to the selling price. The cost of production in every unit of LPG is about Rp3000/kg including the tax; meanwhile the selling price is Rp. 2100/kg. Therefore, Pertamina suffers losses at the amount of 900 Billion Rupias. There is no subsidizing for LPG. Some of the people feel that the increasing of the LPG price is not fair, since LPG become too expensive. Besides the consumer, Indonesian Institute for Consumer (Yayasan Lembaga Konsumen Indonesia) also protests Pertamina in increasing the price of LPG (Tempointeraktif.com, April 10, 2002).

In this case, the researchers will focus on business of LPG especially in determining the fair price that is now being claimed by many parties. If it is compared to other country, the price of LPG in Indonesia is under the international market price or under BEP price. In this study the researcher will try to describe many factors that effected the changes of LPG price in Indonesia and explore the reason why Pertamina runs this strategy nowadays.

1.2 Problem Identification

The increasing price of LPG is a way of Pertamina to avoid the losses. According to Pertamina the new price should be settled in order to stimulate other investor to enter this business. The increasing of LPG price are claimed by the consumers. They feel that the price is too expensive. There are many reasons for Pertamina in increasing the price, and of course those factors that become a consideration.

In this case, we will explore the factors that influenced the decision of Pertamina in increasing the price. Beside that, this study will explore why Pertamina did not increase the price of LPG in the past, moreover Pertamina knows that this business always suffers losses.

1.3 Problem Formulation

Based on the problem identification, the problem are formulated as follows:

1. What are the factors that are used as consideration of Pertamina in making decision of increasing price nowadays, while the problem of loss already appeared in the past?
2. How are the calculation and expectation of Pertamina in setting the new price?

1.4 Problem Limitation

For maintaining the focus of this study, several limitations should be acknowledged.

1. The scope of the analysis of this study is only to the LPG business, without including any other business in Pertamina.
2. The data collected for this study is limited only to financial aspect of Pertamina and only to the data that is available at the time of study.
3. Because of the complexity of beurocracy in Pertamina some supporting data can not be obtain fully, eventhough the main data are gather fully.

1.5 Research Objectives

1. To explore more about many factors that can affect the setting of LPG price.
2. To describe the mechanism used by Pertamina in setting the price of LPG.

1.6 Research Contribution

Hopefully, this research will be able to give contribution to the following parties:

1. This research will be useful for the researcher in adding insight and understanding more about evaluating the problem and making decision in setting reasonable price, by considering many factors, moreover the decision that give an impact to many parties.

2. This research gives contribution to Pertamina in order to consider many factors that give an impact to many parties.
3. This research give contribution to other parties in adding the insight and understanding more about the factor that make Pertamina increasing the price.

1.7 Definition of Term

Evaluation is the appraisal of current phenomena in order to make a judgment with means considering both strengths and weaknesses(Holmes, Scott, Hodgson, Allan, Nevell, and Paul, 1991:150).

Price is the amount of money charged for a product or service, or the some of the values that the consumers exchange for the benefit of having or using the product or service (Amstrong and Kotler, 2000: 289).

LPG (Liquified Petroleum Gas) is the light gaseous product which is yielded from the petroleum distillation or also yielded from the natural gas condensation in Processing Unit Plant. LPG used as fuel for the household and the industry. LPG (Liquified Petroleum Gas) is a fuel that is made from the mixing of hydrocarbon, propane and butane . (Iwan Gayo,2001:239).

Case Study is a direct observation process conducted in one company or more in order to obtain the data needed. Through the data the writer can make the report of data finding, analysis and conclusion.

Break Even Point is the quantity of output where total revenue and total cost are equal, that is, where the operating income is zero (Horngren, Foster and Datar, 1997: 62).

State Owned enterprise (BUMN) is an enterprise that is owned by the state. The activities that are done by State own Enterprise including the activity of building a public facility, producing a product or good for public, and doing some other activity that related to the public.



CHAPTER II

REVIEW OF RELATED LITERATURE

2.1 Theoretical Review

There are several arguments about most pricing strategy of Pertamina. Some parties think that the new price of LPG should not be applied during the time when economic condition is still in trouble. Those who are agreed will bring the argument from the point of view of price relevancy of LPG relative to the cost of production and others.

As said by senior manager of marketing of Pertamina, Tuty Anggrahini (KoranTempo, 13 March 2002), that if the price is still the same, Pertamina will suffer loss Rp.900 per each kilogram of LPG product. The cumulative amount for one year for the loss will be around Rp.900 Billion.

Compare to other countries based on the data from Pertamina (rionline.com, 26 March 2002), the current international price is now Rp.3100/kg. Several countries have exceeded that price for LPG for example in Thailand Rp. 3175/kg, in India the price is Rp. 3780/kg. Philippine even setting higher price which is Rp.4968/kg. Based on those facts the price of Rp.2100/kg set by Pertamina is far below the international price. Moreover it also depends on the exchange rate.

Several arguments contradict the Pertamina decision of pricing strategy is based on the current economic condition. YLKI (Yayasan

Lembaga Konsumen Indonesia) believes that Pertamina has set the price of LPG irrationally. Moreover Pertamina has been accused as breaking the rule of monopoly and business competition (Tempointeraktif.com, 10 April 2002).

Still about contradicting pricing strategy, YLKI think that Pertamina did not care about the decreasing of purchasing power of the society as a result of the crisis.

According to Drs. Dasi Astawa, Msi (BaliPost, 13 March 2002), the policy of Pertamina in setting the price below the production cost as something irrational, basically the policy of increasing the price of LPG is in appropriate policy in this economic condition. Further before price is being set, Pertamina throughout the independent audit has to be able to explain to the public that this state owned company is free from any fund leakage and operating in high efficiency level.

Basically, related to the new pricing strategy of Pertamina related to LPG, there are several pros and cons.

2.2 Theoretical Framework

Conceptually the problem of price in LPG product in Pertamina is the problem of pricing strategy. Theoretically, there are several factors to consider when setting the price. Internal factor such as marketing objective, cost, organization consideration and marketing mix strategy will have a different effect compared to that of external. For external factor such thing as nature of

market and demand, competition and other environment economic will have to be part of the consideration in setting the price (Phillip Kotler and Gary Armstrong,2000: 293).

In term of pricing there are several approaches that can be adopted in setting the price. Generally the approaches are the cost based approach, the buyer based approach and the competition based approach. Under cost based pricing, the price is determined by adding a standard mark up to the cost of the product. Other derivation of such pricing approach is Break even pricing also a variation called target profit pricing. In break even pricing the firm tries to determine the price at which it will break even. In target profit pricing the firm determine the target profit it is seeking. Under value based pricing the company uses buyer perception of value rather than the seller as the key to price the product. Under company based pricing a company base each price with last attention paid to each own cost or demand. The company might charge the same, more, or less than each major competition (Phillip Kotler and Gary Armstrong,2000: 299).

In this case, Pertamina set prices by selecting the cost based approach. The increasing of LPG price is in order to reach the Break even price. Therefore cost management is very useful to be applied. Cost management information is developed for use within the firm, to facilitate management. The main focus of cost management information therefore must be usefulness and timeliness (Blocher, Chen, Lin, 1999:4).

In the Oil windfalls, Blessing or Curse, World Bank 1998 book written by Alan Galb, stated that many countries that produce mineral and energy, sometimes caused a problem rather than blessing (KoranTempo, March 13, 2002). Cost management is needed to manage this material in order to get the benefit.

2.2.1 Definition of Selling Price

Pricing decisions are management decision about what to charge for the products and services that company deliver. Pricing a product or service is one of the most vital decisions made by management. Price determines what product and service should be produced and price determines for whom the product services should be produced.

In the narrowest sense, price is the amount of money charged for a product or services, or sum of the values that consumers exchange for the benefits of having or using the product or service (Kotler, Amstrong, 1997: 302).

2.2.2 Purposes of Price Determination

Company should consider their major objective when setting the price. Different major objective need different strategy to be applied. Each price decision has some purposes to fulfill (Kotler, Amstrong, 1997:303-304), such as:

1. Survival.

Companies set survival as their major objective if they are troubled by too much capacity, heavy competition, or changing consumer wants. In this case profit are less important than survival.

2. Current Profit maximization

They estimate what demand and costs will be at different prices and choose the price that will produce the maximum current profit, cash flow, or return on investment.

3. Market share Leadership

They believe that the company with the largest market share will enjoy the lowest cost and highest long profit.

4. Product Quality Leadership

This normally calls for charging a high price to cover higher performance quality and the high cost of R&D.

2.2.3 Factor to Consider when Setting Price

When setting price company should consider both the internal factors and external factors. (Kotler, Amstrong, 1997:303-313)

1. Internal Factor Affecting Pricing Decision

- a. Marketing Objective

Before setting price, the company must decide on its strategy for the product. If the company has selected its target market and positioning

carefully, then its marketing mix strategy, including price will be fairly straightforward.

b. Costs

Cost set the floor for the price that the company can charge for its product. The company wants to charge a price that both cover all its cost for producing, distributing, and selling a product, and delivers a fair rate of return for its effort and risk.

c. Organizational Consideration

Management must decide who within the organization should set the price.

2. External Factor Affecting Pricing Decision

a. The market and demand

Whereas costs set the lower limit of price, the market and demand set the upper limit. Both the consumer and buyers balance the price of the product or service against the benefit of owning it. Before setting prices, the marketer must understand the relationship between the price and demand for its product.

b. Competition

It also needs to learn the price and quality of each competitor's offer. Company should be aware of competitors' prices and offer, it can use them as starting point for its own pricing.

c. Economic Condition

Economic condition can have a strong impact on the firm's pricing strategies. Economic factor such as boom or recession, inflation and interest rates affect pricing because they affect both the cost of producing a product and consumer perceptions of the product price value.

d. Other External Factors

Government is also important external influence on pricing decision. Social concern may have taken into account. In setting prices, a company short term-sales, market share, and profit goals may have to be tempered by broader societal consideration.

2.2.4 Cost

The committee on the cost concept and standard of the American Accounting Association wrote: "Cost is foregoing measured in monetary term, incurred to achieve a specific objective

Cost set floor for the price that the company can charge for its product. The company wants to charge a price that both covers all its costs for producing, distributing, and selling a product, and delivers a fair rate of return for its effort and risk.

It is important for the seller to know the determinant and behavior of product and service cost in order to know when to accelerate cost recovery,

how to evaluate a change in selling price, how to profitably segment a market, and when to add or eliminate product from the product line. Proper cost determination guides management in the selection of a profitable product service mix and the determination of how much cost can be incurred without sacrificing profit (Monroe, 1990:141).

2.2.5 General Pricing Approach

a. Cost Based pricing

1. Cost Plus Pricing

The simplest pricing method is cost plus pricing—adding a standard markup to the cost of the product. Markup pricing remains popular for many reasons. First, sellers are more certain about cost than about demand. Second, when all firms in the industry use this pricing method, prices tend to be similar and price competition is thus minimized. Third, many people feel that cost plus pricing is fairer to both buyers and sellers. Sellers earn a fair return on their investment but do not take advantage of buyers when buyers demand becomes great.

2. Break even Analysis and Target Costing

Another cost oriented pricing approach is break even pricing, or a variation called target profit pricing. The firm tries to determine the price at which it will break even or make the target profit it is seeking. Break even analysis is simple and easily understandable method of

examining the relationship among fixed cost, variable cost volume, and price. Detailed analysis of break even data will show the effect of the following (Monroe, 1990: 162-163) : Decision that convert cost from variable to fixed or vice versa, Decision that reduce or increase cost, Decisions that increase sales volume and revenue, and Decision to change selling price.

Break-even point occurs when sales revenue exactly covers all cost, the level of sales revenue when profits are zero.

b. Value-based Pricing

Value based pricing uses buyers perception of value, not the seller cost, as the key to pricing. The company sets its target price based on customer perceptions on the product value. The targeted value and price then drive decision about product design and what cost can be incurred. As a result pricing begin with analyzing consumer needs and value perception, and price is set to match consumers perceived value.

c. Competition Based Approach

Consumer will judgments of a product's value on the prices that competitors charge for similar products.

There are two forms of competition based pricing:

1. Going rate pricing

In going rate pricing, the firm bases its price largely on competitors prices, with less attention paid to its own cost or to

demand. Going rate pricing is quite popular. When demand elasticity is hard to measure, firm feel that the going price represents the collective wisdom of the industry concerning the price that will yield a fair return. They also feel that holding to the going price will prevent harmful price wars.

2. Sealed-Bid pricing

Using Sealed-bid pricing, a firm bases its price on how it thinks competitors will price rather than on its own cost or on demand. The firm wants to win a contract, and winning the contract requires pricing lower than other firms.

2.2.6 Price Determination Under Government Regulation

The changes of the regulation have effected Pertamina in rescheduling their vision and mission. Before the changing of law, the legal status of Pertamina is State Own Enterprise, now it is becomes Incorporation.

In facing global competition, Companies in Indonesia can not stand under the government protection. All of the companies should compete in domestic or international market. In the future, pricing factor is not the most important factor that should consider in order winning the competition.

LPG as one of the business unit in Pertamina is also affected by the changed of regulation. The strategy of this department automatically changed. In order to develop their business and stimulate the new entrants, this department sets

a new strategy in pricing the product. By increasing the price of LPG, this department can cover the losses.



CHAPTER III

RESEARCH METHOD

3.1 Research Method

This research is a descriptive study, the researcher will describe about the price strategy of LPG business as one of business operated by Pertamina. The researcher will give description about factors that influence the pricing strategy of LPG product. Sakaran (92, p.96) stated a descriptive method is undertaken in order to ascertain and to be able to describe the characteristic of variable situation. Descriptive method is also undertaken to understand the characteristic of organization that follow common parties.

The goal of descriptive method is to describe a relevant aspect of the phenomena of interest to the researcher from individual, organization, industry or other perspective.

3.2 Research Subject

The research subject in this thesis is Pertamina Pusat, Jakarta. The LPG price was evaluated further implemented by Pertamina.

3.3 Research Setting

3.3.1 Setting of Place

The research took place in Pertamina Pusat , Merdeka Barat
Street no. 1A Jakarta Pusat.

3.3.2 Setting of Time

The research in Pertamina was done from 7 of July - 28 July 2002 and 11-15 Of August 2002.

3.4 Research Instrument

3.4.1 Field Research

1. Observation

A direct observation was needed in order to obtain an appropriate data about LPG price determination. The observation started with a set of question that asked about the company in general and about LPG price implemented by Pertamina, and then more specific data like cost component, the supply and distribution, and the development of LPG price from 1968 until 2002.

2. Interview

The data were collected by interviewing the respondents. This interview was done through the question and answer directly with the General manager and the staff of LPG production. By applying the interview process, the information obtained could be explored and traced as much as possible. The questions were discussed in interview process with the General Manager of LPG Department.

3.4.2 Literature Study

Collecting the data from related literature, document of the company and other data that had correlation with the object of this research.

3.5 Research Procedure

Several requirements were fulfilled before conducting the research such as making research permission letter, then preparing the research proposal and sent it to the company.

After sending the proposal, then company gave the response to the research proposal whether it was accepted or rejected. When the Company accepted the research proposal then appointment was made whether the company was available at that day or not.

3.6 Technique of Data Analysis

The data analysis used in this study is in the type of descriptive. The sequences of processes are as follows:

1. Determination of Data Type

The data used in this study are in the form of financial and non-financial data gathered from Pertamina focused on LPG business. The financial data are concerning about the general price structure and some supporting data. Non-financial data are about some historical background about Pertamina.

2. Data Collection

The data are collected from two main sources. First, through the use of internet site of Periamina to look for some historical background of Pertamina, second, through direct observation to the company itself. In observing the company, the researcher makes some requests to the management of the company about some financial data of LPG's price structure.

3. Data Analysis Process

a Classification of Data

The data that have been collected are then classified into either financial or non-financial data. The financial data are about the components of price structure of LPG, and the non-financial data are about historical background of Pertamina.

b Description of Data Components

After the needed data are collected from Pertamina, the next step is organizing the data from the general data of price structure to the specific data about how the price structure of LPG was formed in detail. After all data are arranged, the analysis begins with the descriptions of each component of LPG's general price structure to determine how each item contributes to the formation of LPG's price.

c Analysis and Conclusion

Based on above descriptions, the researcher then determines the main cause of the price - setting problem and suggests the solutions. Finally, after finding the root of the problem,

The last part of data analysis processes is making conclusions.

CHAPTER IV

DATA ANALYSIS AND IMPLICATION

4.1. Company's Profile

4.1.1. Company's Background

Pertamina as a state-owned company in doing its activities, consistently pays attention to the interest of the people, national defense and the Indonesian archipelago outlook. One of the challenge which must be overcome is to guarantee the independency of energy, by trying to fulfill the supply of petroleum fuels in an economic way.

The progress of PERTAMINA's restructure has resulted in several milestone and latest was "To grow and Expand" towards a New PERTAMINA grew out from all members of the Board of Directors in May 2000 which produced planning scenarios for PERTAMINA from which PERTAMINA selected the concept of "To grow and Expand" in a positive environment and conditions, internally as well as externally. Thus, each step, effort and endeavor made to restructure nicest help the realization of the desired New PERTAMINA's vision, missions, and values in line with PERTAMINA Board of Director Decision No.120/C0000/2000-SO dated 8 December 2000.

Vision :

To be an excellent, progressive and respected leading company.

Missions :

- a. To carry out business in energy and petrochemicals;
- b. To contribute added value for the share holders, clients, workers, and the society and to support national economic growth;
- c. To be a professionally managed, competitive company based on excellent values

Values

- a. Focus: Optimally utilize various kinds of company compensation to increase added value.
- b. Integrity: Capable to realize commitment into actual action.
- c. Visionary: Anticipate current and future development in business environment to promote growth and development.
- d. Excellence: Present the best in all aspects of business management.
- e. Mutual Respect: Place relevant parties at equal level in business operation

4.1.2 Company's Activities

As an integrated oil Company, Pertamina executes upstream as well as down stream oil operation, Pertamina's objectives include supplying fuel required domestically, exporting oil and gas to increase the state revenue and developing geothermal energy as an alternative.

1. Upstream Activities

The exploration and production operations are aimed at maintaining and boosting the production of Oil, Natural Gas and Geothermal energy.

2. Downstream Activities

a. Processing

The processing operations of crude oil and natural gas are aimed at making available oil products, oil fuels, non-fuel oil product and feedstock required by domestic industries and the international market.

Processing is carried out at Pertamina's oil refineries, gas plants and petrochemical plants, which are operating economically, efficiently and at optimum levels.

b. Marketing Unit

Marketing Unit operations involve supplying, marketing and distributing oil fuel products and expanding the market of non-fuel product for domestic requirements in adequate volumes, good quality and in a timely manner.

c. Shipping and Harbour

Shipping and Harbour operation's main activities is the water-born transport of crude oil and its derivatives in order to ensure smooth operation of the refineries and distribution of fuels and other refinery products throughout Indonesia and ensure the smooth operation of the special oil and gas harbour.

Indonesia is the world's largest maritime country and therefore to maintain uninterrupted supply of fuels for domestic consumption and support the industries in general, a dependable and efficient sea transportation fleet and Oil and Gas distribution systems are an absolute requirement.

The distribution of fuels will continue to expand not only volume wise but also territory wise due to the fact that remotely located areas must be covered. Therefore the role of the sea transportation will become increasingly important in the National Development.

Fuel transportation on the island of Java is carried out by land conveyance and by pipeline. Distribution and transportation by pipeline is more secure and reliable.

3. Environmental Care Program.

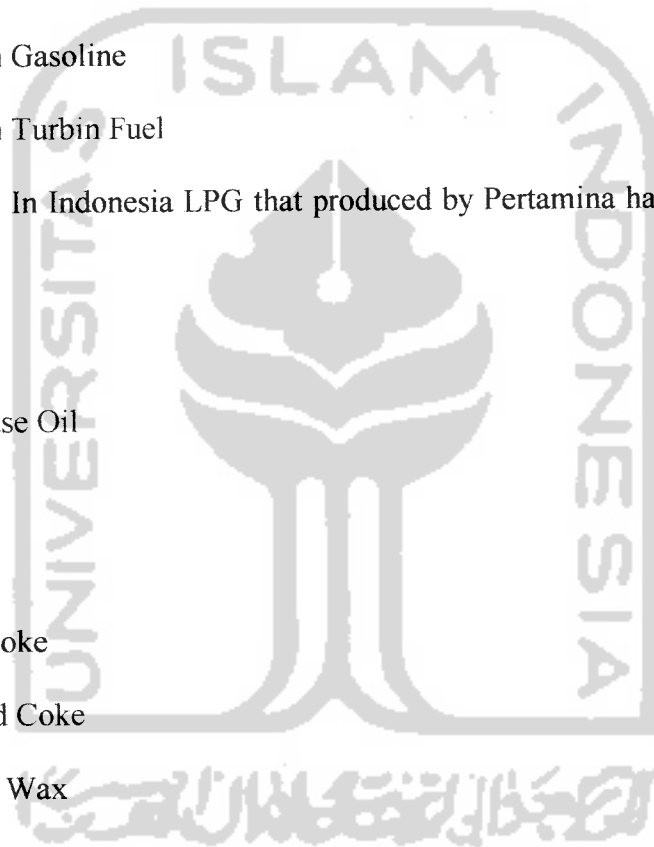
- a. Inovative of environmentally friendly products.
- b. Blue Sky Program.
- c. Community Development

4.1.3. Company's Products

The current Pertamina's Product are:

1. Fuel

- a. kerosene
 - b. Motor Gasoline
 - c. Automotive Diesel Oil
 - d. Industrial Diesel Oil
 - e. Marine Fuel Oil
 - f. Aviation Gasoline
 - g. Aviation Turbin Fuel
2. Gas : LPG. In Indonesia LPG that produced by Pertamina has a brand name called elpiji.
3. Non Fuel
- a. Lube Base Oil
 - b. Solvent
 - c. Asphalt
 - d. Green Coke
 - e. Calcined Coke
 - f. Paraffin Wax
 - g. Sulphur
 - h. Slack Wax
 - i. Heavy Aromate
4. Petrochemical
- a. Polytam
 - b. Paraxylene



- c. Benzene
- d. Propylene
- e. Methanol

4.1.4. LPG Product

LPG is the light gaseous product which is yielded from the petroleum distillation or also yielded from the natural gas condensation in Processing Unit Plant. LPG used as fuel for the household and the industry. LPG is especially used by middle level society which its requirement progressively mount from year to year because it's environment friendly.

In the industrial area, the LPG product used as substitution of Freon, Aerosol, Refrigerant/ Cooling Agent, cosmetic and also used as special product raw material.

According to its use, LPG is differentiated to :

1. LPG Mix
2. LPG Propane
3. LPG Butane

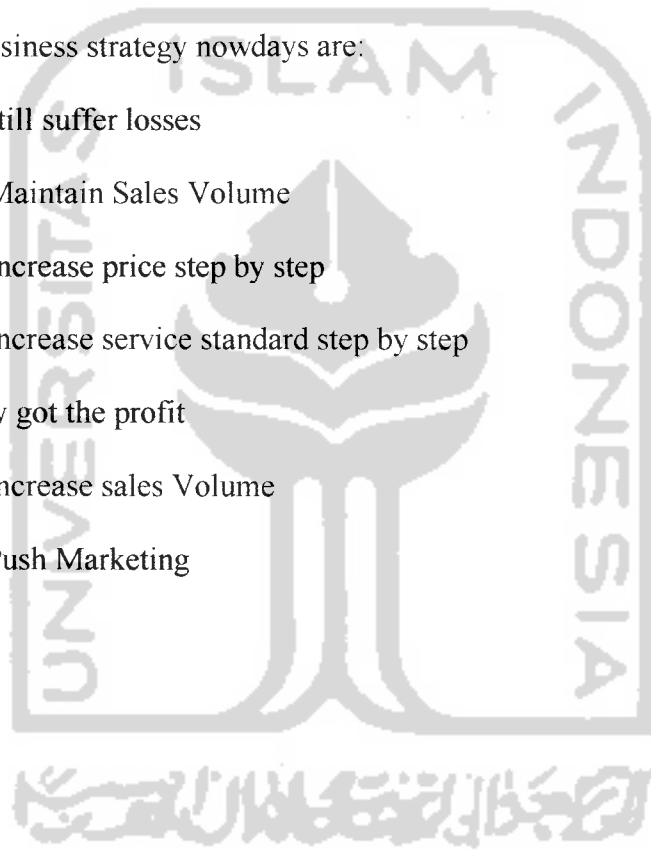
LPG Mix is the mixture of Propane and Butane with composition among 70 - 80 % and 20 - 30 % of volume and added by odorant (Mercaptant) and generally used for the fuel in household.

LPG Propane and LPG Butane are LPG which is containing Propane 95 % and Butane 97,5 % of volume each and added by odorant (Mercaptant), generally used for industry.

4.1.5. The LPG Business strategy

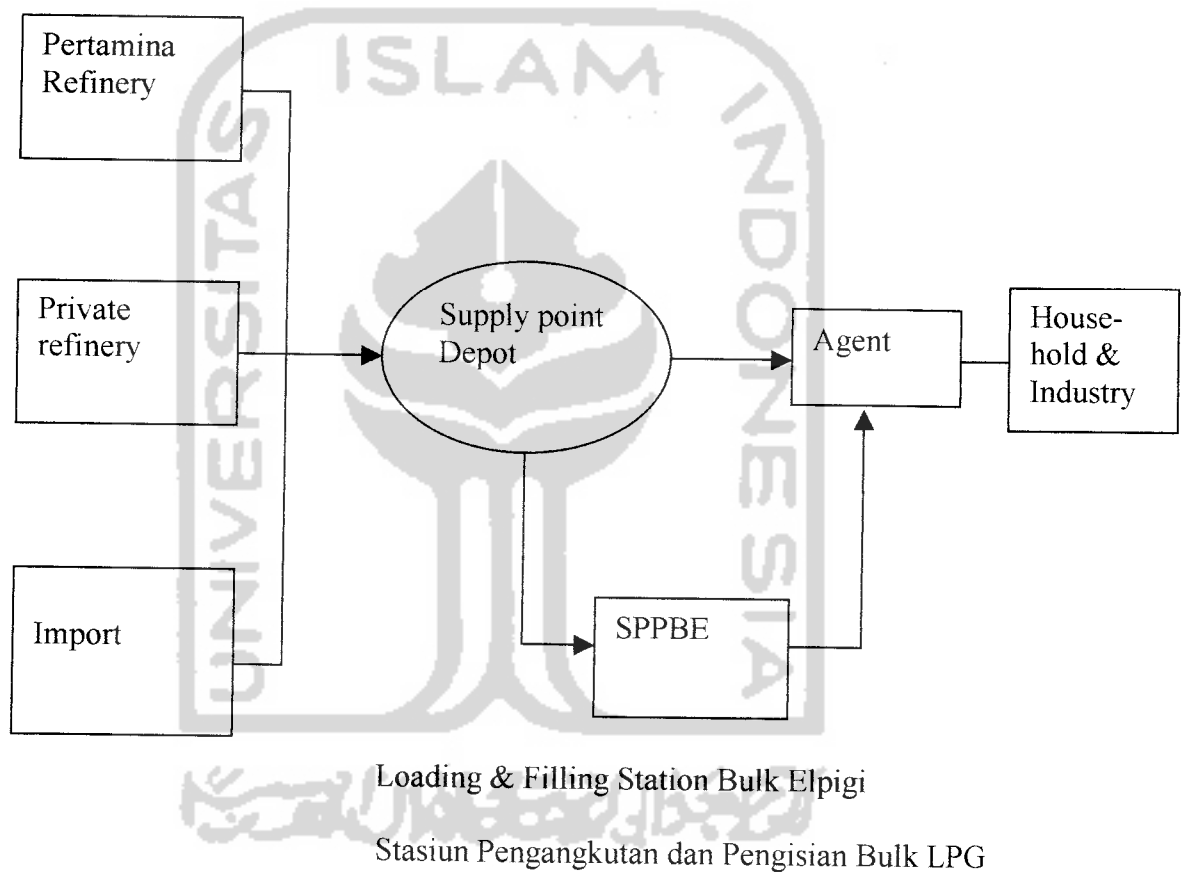
The LPG business strategy nowadays are:

1. While still suffer losses
 - a. Maintain Sales Volume
 - b. Increase price step by step
 - c. Increase service standard step by step
2. Already got the profit
 - a. Increase sales Volume
 - b. Push Marketing



4.1.6. Supply and Distribution Pattern of LPG

Chart 4.1. Supply and Distribution of LPG



4.2. Price Determination which is implemented by Pertamina

The problem will be analyzed by using two perspectives which are historical perspective and financial perspective.

4.2.1. Non Financial Perspective

a. The Changing Legal Law

From year 1957 to 2001 or approximately 43 years, the intention to nationalize the oil and gas resources had been highly influenced by the policy of giving protection and privilege to a state owned company named Pertamina. Since the establishment of the new law of oil and gas in November 23, 2001, the power of the free market started to take part in oil and gas business. Nevertheless the ownership according to UUD 45 chapter 33 verse 2 and 3 is still to be maintained.

According to UU No. 8 year 1971, it is stated that “ In relation with the importance of mining material in terms of oil and natural gas, either to the wealth of society or to maintain national security, therefore, in UU No. 44 Prp. th. 1960 it has been determined that the management of oil and natural gas can only be conducted by the state and the business operations is privilege right of state owned company”.

By above reasons, the privilege was then given to state owned company through UU No. 44 Prp Th. 1960, after that there was also UU No. 8 Th. 71, a special law about state owned oil and natural gas mining company (Pertamina).

After four decades, the global development has given its effect to the citizen of the world to think globally, moreover the agreement had been signed that obliged us to conform with free regional and global trade.

In its development, UU No. 44 Prp. Th. 1960 and UU No. 8 Th. 71 were considered to be having some obstacles on their way. The substance is no longer suitable with the current and future situation and expectation.

Based on above thought, the new law of oil and gas as the second replacement to the previous two laws were made. The basic substance of the new law was still considering oil and gas as strategic natural resources embodied in the jurisdiction mining area of Indonesia, and are owned by the state, moreover, the management of such resources is the privilege right of the government as the holder of mining right. Since then, Pertamina became an equal player to the others in oil and gas market.

The position of people, state, and government in all laws is the same. The difference is that in UU No. 22/2001, government as the holder of mining right authority, through the ministry of energy and mineral resources, gives directly the right to conduct exploration and exploitation activities to BU and BUT in accordance with the prescribed rules.

The changes of Law No. 8/1971 become Law No. 22/20 give the broad impact to Pertamina. With the new regulation, Pertamina as a State Owned Enterprise will be changed the business orientation to Incorporation. It means

that the business orientation is Profit oriented. This regulation directly changes the vision and mission of Pertamina in running its business.

Before the new regulation was stated, LPG business still has a social function. Pertamina subsidized the consumer or public by selling LPG below the BEP Price. Now Pertamina started not to subsidize the consumer anymore, because every division in Pertamina has started to be profit oriented in running the business. This reason stimulates the LPG division to get profit by increasing the price of LPG.

b. Stimulating a New Investor

The old regulation and a new regulation are permitted other investor joining LPG business. The low price is barrier to entry for a new investor. This business becomes monopolistic in appearance because there is no investor that is interested in running this unprofitable business. In order to stimulate the new investor, the price should be increased. Pertamina tried to build a condition that makes other investor interested in running this business.

c. Compared to other country

If we compare to other country, the LPG price in Indonesia is the lowest one.

Table 4.1.

No	Country	LPG Consumption (Metric Ton)	% Consumption	The amount of Population	Retail Price (RP)
1	Thailand	2.2 Million	3	66 Million	4000
2	Japan	20 Million	16	127 Million	20000
3	Malaysia	1.4 Million	6	22 Million	3600
4	Indonesia	1 Million	0.5	200 Million	2400

Source: Dept. of LPG

In 2001 sales volume of LPG is 972,000 Mt

Household Consumption is about 74 % = 74% x 972,000 MT

= 719,000 MT

= 59,900,410 tube (1 Tube=12 Kg)

The LPG Consumption of Household per month is about 2 tubes = 24 Tubes/year

The consumer or household using LPG = 59,900,410 / 24

= 2.5 Million

LPG is focused for the consumers who have middle-up level of income. If every household using LPG 2 tubes every month, they only spend more over 60,000 Rupias. According to the bank Reference, the level of income for middle- up level is about 2-2.5 Million. It means they only spend 2.4 % from their income.

According to Pertamina, those consumers have purchasing power to buy LPG product even the price increase.

Product of LPG actually is produced for the middle-up level, but in reality those who have lower level of income use it. This condition happens because price of LPG in Indonesia is low. Now, when LPG price is increasing, those who have lower level of income react to reject this regulation.

Historically, Government produce LPG is to reduce the subsidy of kerosene. So that the society will not only depends on kerosene. Government shifted the consumption of kerosene to LPG for those who have middle-up level of income. This strategy is not running well, because the price of LPG is too low.

4.2.2 Financial Perspective

The Price of LPG will reach BEP point at 3149.09 Rupiahs. Pertamina increases the price step by step until the end of the year 2003. Pertamina suffer from losses about 749,070,000 Rupiahs. With the new regulation, every division in Pertamina should be independent and profit oriented. It means they will be no more subsidies for LPG division from other division in Pertamina to cover the losses. This reason has stimulated LPG division to increase the price in order to avoid losses.

LPG Price Structure.

Table 4.2.

	Price/Unit USS/MT	Rp/Kg	US \$/Kg
I Basic cost of production			
1. Purchase Cost			
Pertamina refinery 85%	196.83	1,673.01	0.1673
Import 15%	255.07	382,61	0.0383
2. Freight	21.61	216,12	0.0216
Total		2,271.74	0.2272
II. Fabrication Cost			
1. Filling Plant Operation			
2. losses (0.5 %)		31.12	0.0031
3. Filling fee SPPBE		11.36	0.0011
4. Tube maintenance care		110.97	0.0111
		110.00	0.0110
III. Marketing Cost			
1. Transportation in PPDN			
2. Cost of Money		59.36	0.0059
3. Promotion &Overhead		40.89	0.0041
		22.72	0.0023
IV. Harga Pokok		2658.16	0.2658
V. Margin Pertamina		(749.07)	(0.0749)
VI. Harga Pokok + Margin		1909	0.1909
VII. PPN 10%		191	0.0191
VIII. Price of LPG		2100	0.2100
IX. Margin Dealer		300	0.0300
X. Selling Price		2400	0.2400

source : Dept of LPG

1. Price of LPG

Price of LPG from Pertamina refinery is based on audited 2000 that is US\$ 196.83 per MT.

Import price is based on the international Market Price or Contract Price Saudi Aramco. The price is evaluated usually every 3 years.

Table 4.3.

Year	C4 (Butane)	C3 (Propane)	70% C4 + 30% C3
1999	192.75	195.00	193.43
2000	296.67	298.00	297.07
2001	248.50	270.42	255.08
Average			
Total	245.97	254.47	248.52

source: Dept of LPG

2. Freight Cost

- a. Freight of LPG from the refinery to the LPG filling Plant is 55% by sea-fed or ship, and 45% by tank truck or pipe (land-fed).
- b. The tariff for the land-fed is US \$12 or Rp 120.000.

The sea-fed tariff is US \$29.48.

Table 4.4.

Refinery		LPG FP Jakarta	LPG FP Surabaya	LPG FP Makasar	LPG FP Manggis
P. Susu	Vol	12,203.49	0	0	0
	Tariff	48.98			
Dumai	Vol	25,574.20	3,552.73	0	0
	Tariff	38.53	48.86		
Plaju	Vol	36828.20	20,789.43	1000	1622.24
	Tariff	25.44	35.81	49.14	44.86
Cilacap	Vol	9,024.24	8,909.56	1000	4566.47
	Tariff	28.94	36.51	41.79	30.68
Balikpapan	Vol	7,363.53	25,974.66	25,281.04	13,911.43
	Tariff	44.28	31.15	25.17	31.97
Balongan	Vol	71,721.38	56,482.09	8194.20	11283.38
	Tariff	18.33	24.90	41.41	30.92
Kilang Unocal Tj. Santan	Vol	0	24,437.09	22845.79	13603.20
	Tariff	0	37.33	27.19	35.66
Total	Volume	162,715.04	140,146.09	58321.02	44986.72
	T.Cost	4421881.81	4371114.80	168752.426	1491593.7

The average tariff of LPG : Total Cost (US\$) / Total Volume (MT)

: 11,972,342.70 / 406 148

: 29.48 US \$ per MT

The average freight cost per MT : 0.55x US\$ 29.48 + 0.45 x US \$12

: US \$21.61

II. Fabrication cost

1. Filling Plant Operation Cost

Table 4.5.

LPG Filling Plant	Total (Rupiahs)
LPG FP I- Tandem	4073,475
LPG FP II-P. Layang	1784659
LPG FP III- Jakarta	6,545,450
LPG FP III-BAlongan	2,541,691
LPG FP IV- Cilacap	3,153,310
LPG FP V- Surabaya & LPG FP Manggis	7,287,140
LPG FP VI-Balikpapan	1,600,000
LPG FP VII- Makasar	1,597,161
	1,646,976
Total	30,229,862

source: Dept of LPG

Total Sales volume of LPG in 2001 971.357 MT

The Operational Cost per KG

$$= \frac{\text{Total Of Filling Plant Operation Cost}}{\text{Total Sales Volume}}$$

$$= \frac{\text{Rp.30,229,862}}{971.357 \text{ MT}}$$

$$= \text{Rp. 31.12}$$

2. Losses. The maximum capacity of Losses is 0.5%. It is including losses in receiving, warehousing and delivering. It is difficult to avoid the losses because the product is in term of gas.

3. Filling Fee

The calculation of filling fee including the price of the tube maintenance (the security seal cap and rubber seal)

Operation Cost of Filling System

Table 4.6.

Cost Component	unit	Volume	price/unit	cost	total cost
Wages					
1 Manager	personal	1	2.000,00	14.400,00	
2 Head of the Factory	personal	1	1.500,00	18.000,00	
3 Technician	personal	2	600,00	14.400,00	
4 Operator	personal	8	550,00	52.800,00	
5 Administration	personal	4	600,00	17.280,00	
6 Handling	personal	12	500,00	72.000,00	
7 Security	personal	8	500,00	28.800,00	
Total					217.680
Social Allowance:					
1 Jamsostek	personal	8,33%	18.140,00	18.140,00	
2 Holiday Allowance	personal	1.5x	18.140,00	27.210,00	
3 Uniform (2 pieces/year)	pieces	72	75,00	5.400,00	
					50.750
Office & factory operational					
1 Electricity	Month	12	4.000,00	28.800,00	
2 Telephone	Month	12	2.500,00	18.000,00	
3 General administration	Month	12	2.500,00	18.000,00	
4 Official equipment	Month	12	1.500,00	10.800,00	
5 Others	Month	12	4.000,00	28.800,00	
Sub Total					104.400,00
					372830,00

Maintenance					
1 Building	Ls	2,00%	938.400,00	18.768,00	
2 Machinery & Tool	Ls	2,50%	4.241.200,00	106.030,00	
3 Electricity	Ls	2,50%	404.500,00	12.362,50	
4 Official tool	Ls	2,50%	621.525,00	15.525,00	
Total					152.685
Factory Insurance:					
Building& Machinery	Ls	0,50%	6.295.100,00	31.475,50	
Total					31.475
Depreciation & Amortization					
1 Building	Year	20	938.400,00	46.920,00	
2 Machinery & Tool	Year	10	3.378.700,00	337.870,00	
3 Electricity	Year	10	494.500,00	49.450,00	
4 Official Tool	Year	10	62.100,00	62.100,00	
5 Tank	Year	10	86.250,00	86.250,00	
6 Amortization	Year	5	81.579,20	81.579,20	
Total					664.169
Factory Overhead					
10% from operational(I, II and IV)	Ls	10,00%		421.115,50	42.111
					42.111
Total cost					1.263.271
Bunga Pinjaman :		65,00%	8.602.023,00		
- Total Annual Payment				2.079.112,23	
- Beban Bunga Rata-Rata/Tahun					358.707
Total Operational Cost+Interest+Profit					1.621.979,38

Source; Dept of LPG

Filling Fee = (total cost of filling System operation: Total amount of production

Capacity) +tax +security seal cap & rubber seal

$$= (1,621,979.38: 15600) +4.5+ 2.5$$

$$= \text{Rp.}110.97 \text{ per Kg}$$

4. Tube Maintenance Care

The assumption:

- a. Long life of tube is 20 years
- b. Tube should be tested every 5 year, and repainted every 2.5 year.

Within 20 year, 20 % foot-ring of tube broken.

- c. The capacity in selling the LPG is 12 Kg.

Table 4.7

	Frequency	Price/unit (Rupiahs)	Total
1. Replacement of tube	1	162000	162000
2. Tested	4	2500	10,000
3. Replacement of Valve	3	20,000	60,000
4. Repainted	7	10,000	70,000
5. Replacement of Foot Ring	0.2	25,000	5000
6. Other maintenance care	1	10,000	10,000
Total			317,000

Source: Dept of LPG

$$\begin{aligned} \text{Volume of LPG transaction within 20 Years} &= 20 \times 12 \times 12 \text{ Kg} \\ &= 2880 \text{ Kg} \end{aligned}$$

$$\begin{aligned} \text{Cost of Tube maintenance Care per Kg} &= 317,000 \div 2880 \\ &= 110 \text{ Rupiahs} \end{aligned}$$

III. Marketing Cost

1. Transportation of PPDN(Pengangkutan & Pengisian Dalam Negeri)

The transportation fee Pertamina for the agent is based on the total amount of the LPG (in Kg) and the distance.

Table 4.8

UPMS	No	SPPBE (Loading&filing Station Bulk Elpigi)	Quantity (kg)	Distance (km)	Tariff	Total
I	1	Pertamina Sold to:				
		Wanantara D.S (P. Susu)	100,013,560	171	86	856.159.380
		(Tandem)	13,027,500	78	39	508.072.500
	2	Subur Inti Surya	9,526,500	<40	20	190.530.000
	3	Sinar Mandiri	18,548,880	225	113	2.086.749.000
II	1	Dirgantara bhakti S. (Clcp)	2.844.30	153	77	217.629.495
		(Balongan)	1.709.910	170	85	145.342.350
	2	Manggala Puri Sakti	27.128.660	366	183	4.964.544.780
	3	Bhakti Bunga Ananda	28.055.500	288	114	3.198.327.000
	4	Lumbang Energi Bumi	18.995.720	365	183	3.466.718.900
	5	Restu gas Aji	14.223.800	288	144	2.048.227.200
6	Dharma Srana (Cilacap)	12.726	336	168	2.137.968.000	
	(Balongan)	293.750	342	171	50.231.250	
III	1	Masulaagung Garbhamas	16,030,000	586	293	4.696.790.000

IV	1	Nuralam Pertiwi	13,232,000	<40	20	264.640.000
	2	Remaja bangun k	12.249.000	<40	20	244.980.000
	3	Sinar Mutiara Indah	40.266.000	<40	20	805.320.000
	4	Dastraco selaras	31.628000	<40	20	632.560.000
	5	Suryandra Nusa	36.756.000	<40	20	735.120.000
	6	Eramina kencana	18.830.000	<40	20	376.600.000
	7	Irajaya	11.790.000	80.30	40	473.368.500
	8	Gasindo Citra P. (tj Priok)	20.500.380	179.70	90	1.841.959.143
		(Balongan)	3.363.840	179.70	90	302.241.024
	9	Bajubang Gasindo	13.212.850	197.20	99	1.302.787.010
		(Balongan)	2.834.110	197.20	99	279.443.246
	10	Bina Loka Citra(Blgn)	15.949.460	211	106	1.682.668.030
		(Tugu Barat)	2.412.850	202	101	243.697.850
	11	Eriks Darmasentosa	59.814.000	<40	20	1.196.280.000
	12	Bumindo Gasutama	35.060.000	<40	20	701.200.000
	13	Panutan Selaras	10.060.000	48	24	241.440.000
	14	Karyabhakti Insan Utama	13.656.000	73	37	498.444.000
	15	Kenrope Utama	40.242.000	52.30	26	1.052.328.300
16	Mandalagiri(Tj. Priok)	16.412.560	189.50	95	1.555.090.060	
	(Balongan)	3.831.650	189.50	95	363.048.838	
17	Purnatarum Murni Rahayu	16.956.020	186.30	93	1.579.453.263	
18	Sumbahan Wirakarta	5.910.000	140.80	70	416.064.000	
V	1	Yudhaguna Saritirta	37.970.000	<40	20	759.400.000

iv	1	Geha inti Citra	27.804.500	98	49	1.362.420.500
	2	Sinar Mutiara indah	28.238.000	67	34	945.973.000
	3	Sinar Hasil buana	18.878.200	130.40	65	1.230.858.640
	4	Adhi kartia S.	7.720.000	<40	20	154.400.000
	5	Indotama A.	15.675.000	44	22	344.850.000
	6	Andhika Dian Utama	17.568.000	<40	20	351.360.000
	7	Suman gaung paersada	15.363.000	<40	20	307.260.000
	8	Dewata Gassari	24.775.000	55.40	28	686.267.500
	9	Surya Mitra Impresa	11.550.000	76	38	438.900.000
TOTAL			821.705.150			48.776.831.989

Source: Dept of LPG

The Average transportation fee = $48.776.831.989 : 821.705.150$

= 59,36 Rupias/Kg

2. Cost of Money

Cost of money calculated by the amount of credit that is given by Pertamina to the agent.

Cost of money calculated based on:

- Stock of LPG in Depot supply point is 6 days
- Credit that are given by Pertamina for SPPBE in 1 month.

Bank interest rate is 18%/year.

Cost of money: $(6/30 + 1)$ month x 18%/year x 1 year/12 month

: 1.8%

3. Overhead & promotion

The cost of promotion is assumed 1% of the total cost of production.

IV. Margin dealer

Margin dealer increasing from 9.52% to 12.5%

Table 4.9

No.	LPG Price per Kg (Rp)	Margin (Rp)	%
1	370	70	18.92
2	590	88	14.92
3	639	92	14.40
4	750	118	15.73
5	1000	150	15.00
6	1500	170	11.33
7	2100	200	9.52
8	2400	300	12.50

Source: Dept of LPG

The decreasing price of fabrication cost and marketing cost do not give big impact to the decreasing price of LPG, because the basic cost is already high.

Based on the above price structure, we can see that the main problem in the pricing method of Pertamina's LPG product is not really in the efficiency of the operation, but rather, it is in the determination of price when the product was first launched in 1966. The price was set very low at the beginning of LPG's operation.

This was mainly caused by some political influences from government in the form of policies. These policies were established with the purpose of helping the society to fulfil their needs. It was by fact that in the time Pertamina decided to launch LPG to the market, this product was meant for those of middle and upper class of society who did not really need to be supported financially. Deep in the price structure of LPG, there is an item “Margin of Pertamina” that reflects the profit (or loss) earned by Pertamina in running LPG business. Unfortunately, it always became the loss instead of the profit of the company. This matter, in relation with the previous explanation, was caused by the perception of the society that LPG should be a cheap product, whereas in the reality, this product was never been cheap at all in terms of production cost. To be more technical, we can sum up the price structure into:

$$EP = (CGS + MP) \times (1 + PPN)$$

$$SP = EP + MD$$

$$MP = (EP / (1 + PPN)) - CGS$$

Where;

CGS = Cost of Goods Sold

PPN = Value Added Tax

EP = “Ex Pertamina” Price

MP = Margin of Pertamina

Md = Margin of Dealer

SP = Selling Price

By these equations, we can see that “Ex Pertamina” price is $(2,658.16 - 749.07) \times 1.1 = \text{Rp. } 2,100$. And the Selling Price is $\text{Rp. } 2,400$. This will require Pertamina to have the margin of $-\text{Rp. } 749.07$. Contradicting this situation, if only Pertamina already socialized to the society about real condition instead of spoiling them with cheap price, the “Ex Pertamina” price would at least be $(2,658.16 + 0) \times 1.1 = \text{Rp. } 2,923.98$. And the selling price is $\text{Rp. } 3,223.98$. This price, with the assumption of “other things held constant”, would be the minimum target price for Pertamina in increasing its LPG price. The margin of this price is zero or BEP. By these, we can conclude that the biggest mistake of Pertamina was when it determined a cheap price for an expensive product. The next step Pertamina should do is to choose between making itself looking so inefficient by maintaining a cheap price of LPG, and making itself to be an efficient company by increasing the price just like in above equations. Each of the two options has its consequence, the former can preserve the trust of the society with the cost of losing its “charm” in the eye of investors. The later can attract investors to put their money in the company with the cost of losing their consumers. Both options seem to be quite painful in practice, but that is the price for their mistake in the past.

CHAPTER V

CONCLUSION AND RECOMMENDATION

1. CONCLUSION

After completing the process of data analysis, the final step of this study is to make conclusion. There are several things to conclude in this study;

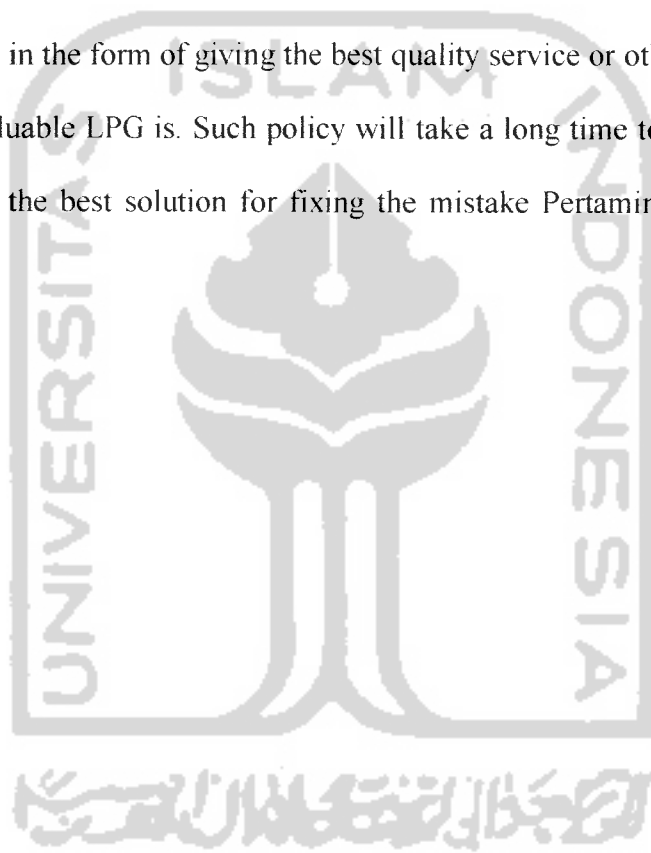
- a The source of the problem of increasing price of Pertamina's LPG product lies in its incorrect decision in the past, not in current financial decision.
- b The mistake made by Pertamina is that it set the price cheap for an expensive product.

The effort Pertamina made at these days to increase the price of LPG is a little bit too late since society have made their perception that LPG is a cheap product.

- c. The factor of the changes of regulation, stimulate other investor joining the LPG business, and the price structure of LPG can be use by LPG department as a reason to increasing the price nowadays. Increasing Price nowadays is reasonable, because this is one of the strategies to cover the losses.

2. RECOMMENDATION

Considering the situation experienced by Pertamina, there is a recommendation that can be derived to overcome its problem. The effort of increasing the price of Pertamina's LPG by increasing the price should be accompanied by the effort to convince the society that LPG is worth a high price. This effort can be in the form of giving the best quality service or other things that can show how valuable LPG is. Such policy will take a long time to yield a good result, but this is the best solution for fixing the mistake Pertamina made in its past.



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STRUKTUR HARGA JUAL LPG UNTUK RUMAH TANGGA DAN INDUSTRI

URAIAN KOMPONEN	HARGA SATUAN US \$ / MT	JUMLAH NILAI	% terhadap harga jual tanpa laba
		RP/KG	
I BIAAYA POKOK PRODUKSI			
1. Product cost FOB			
a) - Eks Kilang PERTAMINA 85% *)	196,83	1.673,01	
b) - Eks Import (Incl. eks KPS) 15% **)	255,07	382,61	
c) 2. Freight	21,61	216,12	
		2.271,74	72,14%
II BIAAYA PABRIKASI			
a) 1. Operasi Depot		31,12	
b) 2. Losses (0,5%)		11,36	
e) 3. Filling Fee SPPBE		110,97	
d) 4. Pemeliharaan Tabung		110,00	
		263,45	8,37%
III BIAAYA PEMASARAN			
1. Angkutan dalam PPDN		59,36	
2. Cost of Money		40,89	
3. Promosi & Overhead		22,72	
		122,97	3,90%
IV HARGA POKOK (I + II + III)		2.658,16	
V MARGIN DEALER (including PPN dealer)		300,00	9,53%
VI PPN 10%		190,91	6,06%
VII HARGA JUAL TANPA LABA		3.149,07	100,00%
VIII HARGA JUAL		2.400,00	
IX RUGI PERTAMINA (VIII-VII)		(749,07)	

Catatan:

*) BPP audited thn 2000

***) Harga LPG Mix berdasarkan rata-rata CP Aramco 3 tahun terakhir (US\$ 248,52 /MT + US\$ 6,55 /MT)

Kurs US\$ 1 = Rp 10.000,-

PERKEMBANGAN HARGA ELPIJI 1968 S/D 2002

Tahun	Kemasan	Harga eks Pertamina Rp	Margin Agen Rp	Harga di Konsumen Rp	Keterangan
1968 - 1973 tmt.01 Mei 1969	10.5 Kg	43.92	17.36	61.28	Fac.PD/PCH-(DMOD-KAD) Tanggal 01 mei 1969
	13 Kg	42.79	15.51	58.30	
1974 tmt 01 April 1974	10.5 Kg	52.38	19.04	71.42	SK.No.602/Kpts/DR/DU/74 Tanggal 01 April 1974
	13 Kg	52.31	16.92	69.23	
	45 Kg	52.22	13.33	65.55	
	1000 Kg	52.00	10.00	62.00	
1975 tmt 07 Mei 1975	10.5 Kg	80.95	19.05	100	SK. No.1123/Kpts/DR/DU/75 Tanggal 07 mei 1975
	13 Kg	82.31	17.69	100	
	45 Kg	81.67	13.88	95.55	
	1000 Kg	81.00	10.00	91.00	
1976 - 1978 tmt 01 April 1976	10.5 Kg	127.14	30	157.14	SK. No.056/Kpts/DIR/PDN/76 Tanggal 01 april 1976
	13 Kg	127.69	30	157.69	
	45 Kg	127.11	29.55	156.66	
	1000 Kg	127.00	28.00	155.00	
1979 tmt 05 Maret 1979	10.5 Kg	173.81	30.95	204.76	SK. No.003/Kpts/DIR/PDN/79 Tanggal 05 Maret 1979
	13 Kg	173.85	29.99	203.84	
	45 Kg	173.56	29.77	203.33	
	1000 Kg	173.55	28.05	201.6	
1980 - 1981 tmt 01 Feb. 1981	10.5 Kg	247.62	38.09	285.71	SK. No.005/Kpts/DIR/PDN/80 Tanggal 01 Pebruari 1980
	13 Kg	230.77	38.46	269.23	
	45 Kg	238.89	38.88	277.77	
	1000 Kg	231.5	38.50	270.00	
1982 - 1984 tmt 01 Feb. 1982	10.5 Kg	285.71	47.62	333.33	SK. No.Kpts-142/C0000/82-B1 Tanggal 01 Pebruari 1982
	13 Kg	282.69	48.07	330.76	
	45 Kg	284.44	48.89	333.33	
	1000 Kg	282.00	48.00	330.00	
1985 - 1986 tmt 01 April 1985	Per - Kg	300.00	70.00	370.00	SK. No.Kpts-1087/C0000/85-S3 Tanggal 01 April 1985
1987 - 1989 tmt 01 Okt. 1987	Per - Kg	502.26	88.65	590.91	SK. No.Kpts-92/C0000/87-S3 Tanggal 01 Oktober 1987
1990 - 1991 tmt 01 agust.1990	Per - Kg	546.12	92.88	639.00	SK. No.Kpts-120/C0000/90-S3 Tanggal 01 Agustus 1990
1991 - 1995 tmt 22 Juli 1991	Per - Kg	631.86	118.14	750.00	SK. No.Kpts-177/C0000/91-B1 Tanggal 23 Juli 1991
1995 - 1998 tmt 19 Desm. 1995	Per - Kg	850.00	150.00	1,000.00	SK. No.Kpts-196/C0000/95-S3 Tanggal 19 Desember 1995
1998 - 1999 tmt 05 Mei 1998	Per - Kg	1,330.00	170.00	1,500.00	SK. No.Kpts-063/C0000/98-S3 Tanggal 04 Mei 1998
2000 - 2001 tmt 02 Nop 2000	Per - Kg	1,900.00	200.00	2,100.00	SK. No.Kpts-097/C0000/2000-S3 Tanggal 02 Nopember 2000
2000 - 2001 tmt 02 Nop 2000	Per - Kg	2,100.00	300.00	2,400.00	SK. No.Kpts-084/C0000/2002-S3 Tanggal 06 Juli 2002

Catatan:
exl/c/perkm-hrg/Sp

Comparison with other countries

LPG consumption

No.	Country	The amount of population	LPG Consumption (MT)	% Consumption	Retail Price Per Kg
1.	Jepang	127 million	20 million	16	20.000
2.	Thailand	66 million	2,2 million	3	4.000
3.	Malaysia	22 million	1,4 million	6	3.600
4.	Indonesia	200 million	1 million	0,5	2.400

Comparison with other countries

LPG Retail price in ASIA (2001)

NO	NEGARA	HARGA LPG (Rp/Kg)
1	THAILAND	3.175
2	JEPANG (RETAILER)	20.000
3	INDIA	3.780
4	PHILIPINE	4.968
5	TAIWAN	4.050
6	VIETNAM	5.300
7	KOREA	5.789
8	SINGAPORE	10.147
9	MALAYSIA	3.600 ²
10	INDONESIA	2.100

**HARGA LPG VS GROSS NATIONAL INCOME
DI BEBERAPA NEGARA**

NEGARA	HARGA LPG /KG	GNI (US\$)
VIETNAM	5.300	370
THAILAND	3.175	2.010
JEPANG	20.000	32.300
INDIA	3.780	440
FILIPINA	4.968	1.050
SINGAPORE	10.147	24.150
INDONESIA	2.100	600



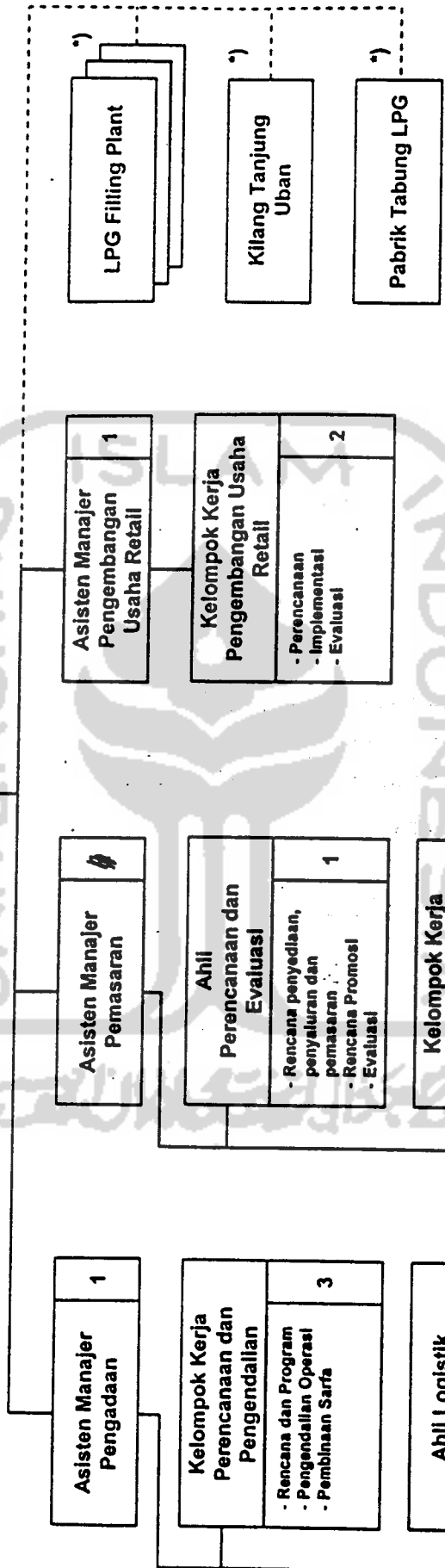
DEPAKTEMEN LPG
UNIT USAHA LPG DAN PRODUK KHUSUS
BIDANG PEMASARAN DAN NIAGA
DIREKTORAT HILIR

DIREKTUR HILIR
 MINYAK DAN GAS BUMI NEGARA
 Nomor Kpts-003/E000
 tanggal 13 Februari 2002

GENERAL MANAJER
LPG DAN PRODUK KHUSUS

Manajer LPG

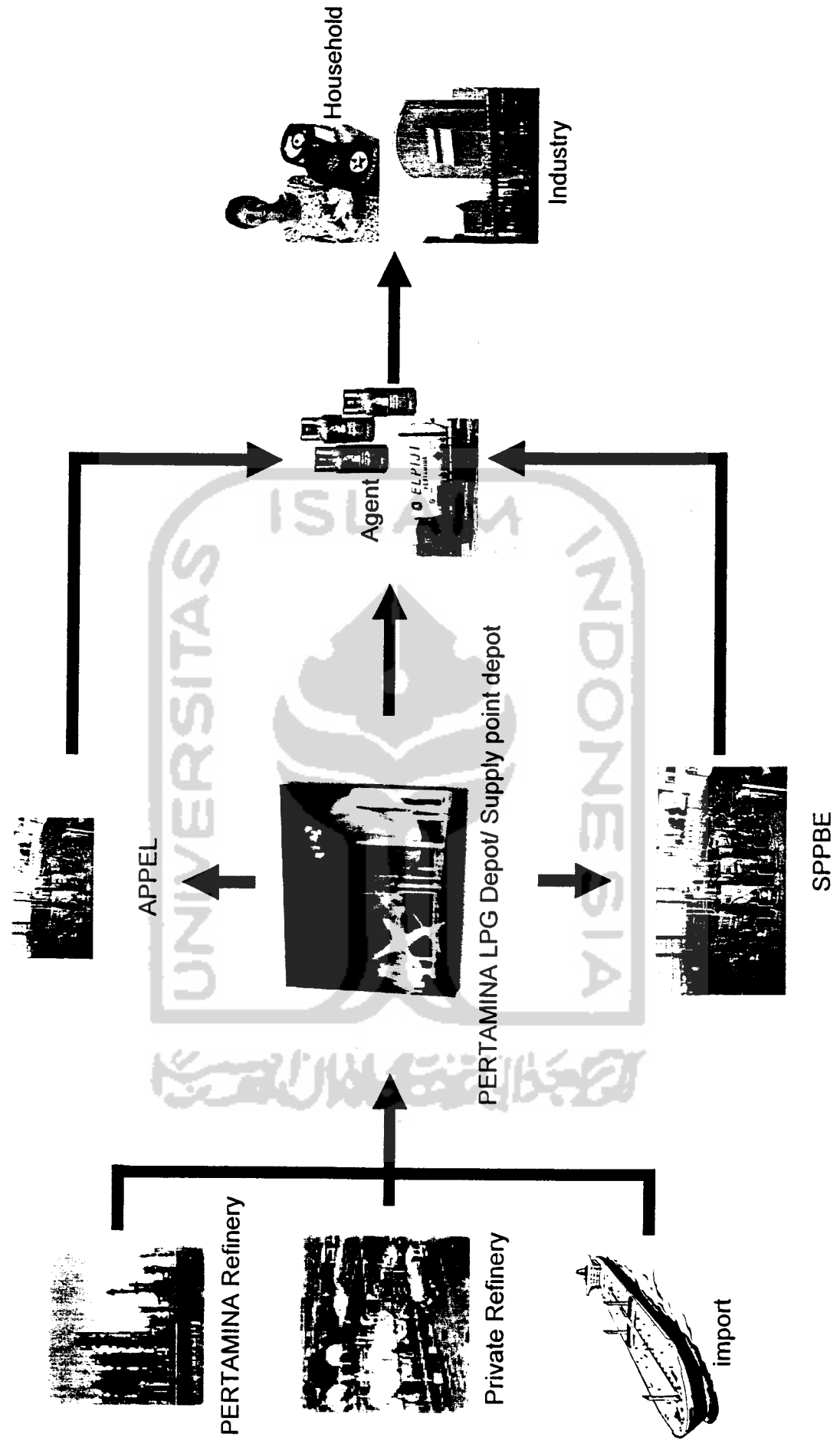
Sekretaris 1



Formasi	P	B	Jumlah
Manajer & Sekretaris	2	-	2
Sub. Dep. Pengadaan	5	-	5
Sub. Dep. Pemasaran	4	-	4
Sub. Dep. Pengemb. Usaha Retail	3	-	3
Total	14	-	14

*) Untuk sementara dilaksanakan oleh Unit Pemasaran sampai Unit Usaha LPG dan Produk Khusus berfungsi secara penuh.

SUPPLY & DISTRIBUTION PATERN



I.1 Latar Belakang

- Tahun 1968 masyarakat Indonesia mulai diperkenalkan dengan bahan bakar alternatif LPG yang dikenal di pasar dengan nama dagang Elpiji
- Tujuan awal Pertamina memasarkan LPG adalah untuk:
 - Meningkatkan pemanfaatan hasil produk samping dari minyak bumi
 - Mengurangi laju permintaan minyak tanah konsumsi rumah tangga di dalam negeri
 - Menunjang program pemerintah di bidang stabilisasi ekonomi dengan menyediakan Elpiji sebagai usaha diversifikasi energi pendamping BBM
- LPG sebagai bahan bakar berkembang pesat tidak hanya volume tapi juga aplikasinya seperti sektor Industri, Komersil dan transportasi
- Dengan diberlakukannya UU Migas No. 22 Tahun 2001:
 - Maka Pertamina khusus di Bid. LPG dituntut menjadi suatu entitas bisnis yang dikelola secara profesional dan kompetitif untuk menjadi profit maker bagi Pertamina khususnya dalam rangka menghadapi era persaingan

3. Visi & misi (lanjutan)

MISI L P G

- Mempertahankan dan merebut potensi pangsa pasar (market share) LPG dalam negeri.
- Memaksimalkan keuntungan dari usaha ritel LPG.

8. Strategi ELPJI saat ini:

I PADA SAAT MASIH MERUGI

- MAINTAIN SALES VOLUME
- INCREASE PRICE STEP BY STEP REP:
- INCREASE STANDARD STEP BY STEP

II PADA SAAT SUDAH BERLABA

- INCREASE SALES VOLUME

- A. SKID TANK 2 TON YANG BERKELILING
- B. PEMASANGAN PIPA DAN METERING SYSTEM 19/01/2014
- C. LPG DRIVE THROUGH
- D. TABUNG LPG 500 KG & METERING UNTUK ISI ULANG
- E. PUSH MARKETING

Dalam rangka meningkatkan mutu produk/layanan LPG, akan diterapkan program “**Jaminan Serba Prima**”, yang meliputi 3 hal yaitu:

Jaminan Isi Prima, yaitu: jaminan kepada konsumen untuk mendapatkan produk dengan isi yang baik, dilaksanakan dengan cara:

- Ketepatan isi
- Kelengkapan asesoris (penerapan warna dan inisial untuk masing-masing SPBE pada security seal cap)
- Pemasangan plastic wrap sebagai identitas agen LPG
- Timbangan di setiap dealer, mobil dealer dan pangkalan (outlet)
- Kewajiban kepada setiap agen atau pun pangkalan untuk memiliki bon penjualan dengan format: nama dan alamat agen, isi, harga, no. telephone dan lain-lain
- Perbaikan dalam pengawasan, pembuatan dan penerapan SOP dalam pendistribusian LPG disetiap lini berikut sanksinya

Jaminan Agen Prima, yaitu: jaminan pada kinerja agen dalam melayani konsumen, dilaksanakan dengan cara:

- Training petugas dan pramuniaga LPG
- Seragam bagi petugas dan pramuniaga LPG yang mencantumkan nama/logo perusahaan, nama/logo Pertamina dan nama petugas.

- Pengecatan kendaraan dengan standarisasi warna dengan logo Pertamina, Logo/nama perusahaan, alamat dan nomor telepon yang mudah dihubungi konsumen
- Pemasangan neon sign pada setiap agen dan pangkalan
- Customer Care Service dan komunikasi 0-800-1-645-645

Jaminan Mutu Prima, yaitu: jaminan terhadap mutu LPG sampai di tangan konsumen, dilaksanakan dengan cara:

- Mutu tabung yang prima, baik dari segi keamanan dan penampilan (cat)
- Berat tabung yang standar
- Efisiensi dalam penggunaan
- Jaminan ketersediaan di masyarakat

REALISASI PEMAKAIAN LPG RUMAH TANGGA DAN INDUSTRI

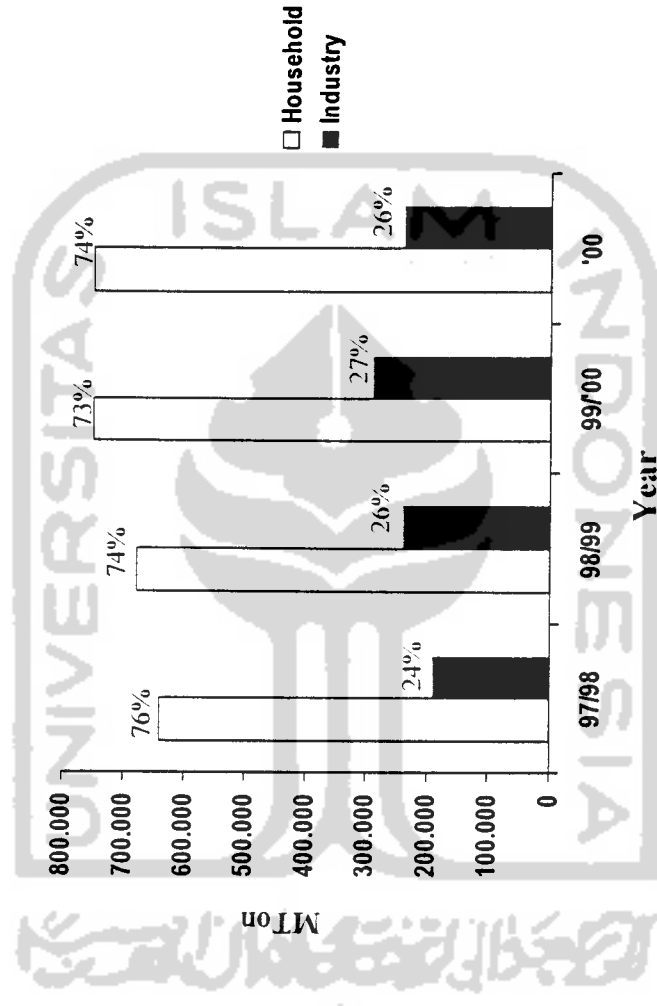
PPDN	TOTAL (Kg)	RT (Kg)	Ind (Kg)	% RT	% Ind
Th. 96/97	740,241,712	534,974,424	205,267,288	72.27%	27.73%
Th. 97/98	842,256,677	608,709,120	233,547,557	72.27%	27.73%
Th. 98/99	802,133,362	612,588,722	189,544,640	76.37%	23.63%
Th. 99/2000	901,345,846	667,390,896	233,954,950	74.04%	25.96%
Th. 2000	731,210,316	527,067,696	204,142,620	72.08%	27.92%
Th. 2001	958,358,212	723,790,134	234,568,078	75.52%	24.48%

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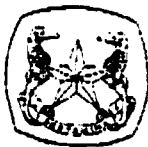
tahun 2000 tahun kalender (9)bulan

Comparison.....

The uses LPG for household and industry



In 2001 Indonesia LPG consumption by around 970.000 MT



PERUSAHAAN PERTAMBANGAN MINYAK DAN GAS BUMI NEGARA
(P E R T A M I N A)

Kantor Pusat

Jalan Medan Merdeka Timur 1 A Jakarta 10110 Kotak Pos : 1012 JKT
Telepon (02-021) 3815111, 3816111 Faks : 343882e - 363585 [http:// www.Pertamina.com](http://www.Pertamina.com)

Jakarta, 25 Juli 2002
No : 4468 /E00700/2002-S8

Lampiran : -
Perihal : Praktek Kerja Lapangan

Kepada
Dekan Universitas Islam Indonesia
Condongcatur, Sleman, Yogyakarta 55283
Facs: 0274-882589

Dengan hormat,

Sehubungan dengan Surat Saudara No.319.3.A tanggal 24 April 2002 perihal tersebut diatas, dengan ini disampaikan bahwa kami dapat menerima Praktek Kerja Lapangan atas nama :

Nama/Nirm : Sdri. Rosmah Alawiyah - 98312196
Waktu : Kesempatan Pertama
Tempat : Keuangan Dit. Hilir
Jl. Medan Merdeka Timur 1 A Lt. 14
Jakarta - Pusat

Demikian kami sampaikan untuk Saudara proses lebih lanjut dan atas kerjasama yang baik, kami ucapkan terima kasih.

Manajer SDM Dit. Hilir
DIREKTORAT
PERTAMINA
MINYAK DAN GAS BUMI NEGARA
Bambang Sriyono