

## Key Takeaways from LCA Laws Meeting

We were attending the House of Representative meeting yesterday, 14<sup>th</sup> of December 2011, to watch on the LCA (Land Clearing Act) law progress. We are coming with several updates on LCA.

### 100% Done on LCA Draft, Ratification on Friday

After hampered for a year, removing optimism amongst investors, finally the draft of LCA law approved by the special committee. The LCA draft then ready to be submitted to Paripurna meeting on Friday, 16<sup>th</sup> of Dec 2011 to be settled as a Law.

### Final Draft Points

We summarized the points announced by the working committee on LCA draft yesterday and take several important points from the draft sheets. Here is the draft summary.

- ❑ Government acts as the initiator and monitors of the land while the National Land Agency (BPN) act as the technical executor. After the land cleared, BPN will also watch the land to maintain it to be delivered for right purposes.
- ❑ The government defined as Central and Regional Government and State-Owned Enterprise (SOE). Even if there will be a private participation, it will be through the cooperation scheme only. The acquired land asset then will belong to government and or SOE.
- ❑ The land valuation will be through the independent appraisal that already had the Ministry of Finance approval and got BPN licenses.
- ❑ The land compensation could be cash, another land, new building, and shares ownership, or combination of it that facilitated through central and regional budget funds or SOE funds. **The shares ownership compensation idea is praised as the implementation will provide the sense of belonging of the owner and reduce the dispute possibility.**
- ❑ To settle on the dispute, it will require at fast for 4-7 months long, from approving location and compiling the data up to the Supreme Court Settlement, if needed. Considering the effective day in a month is 20 days, it could take 6-10 months long for settling the land.
- ❑ For the current land clearing that still in progress by the time LCA ratified, the process is following the old scheme. For land areas that haven't begin the clearing process, it will follow through the new regulation in LCA law.
- ❑ The government should make the Presidential Decree as the derivative law to regulate more specific points at last 1 year after the settlement of LCA laws.

Dispute settlement	Deadline
Process	
Initial Data Collection	30 days
Public Consultation	60 days
Dispute Settlement Additional Time	30 days
Governor Build Team to Re-Decide the Land	14 days
If the Land Decided,	
the Dispute Rolling to State Administrative Court	30 days
If Still Dissatisfy, Propose to Supreme Court	14 days
Superme Court Decision	30 days
	208 days = 7 month

120 days  
= 4 month

Source: LCA Law Draft Document, TRIM Research

**Our View toward LCA: MT play, ST Sentiment**

We are very optimistic toward the ratification of LCA on Friday. However, the implementation of LCA laws is still the main concern, especially during transition time. We expect there will be several delay in land clearing process during the transition time as people remains waiting for the new regulation implementation rather than using the old scheme, especially as mentioned in the law.

Thus, the LCA law will be fully implemented in FY13. In the meantime, the infrastructure on LCA related will follow the old scheme or the worst case is it will stag.

Considering the positive sentiments regarding the government of Indonesia is making progress on LCA, the infrastructure stocks would turn re-rate. However, as the implementation is still in FY13, we should maintain on the current company's fundamental as it will be a slight affected in FY12. Sentiment will drive in ST, our pick still on SMGR, INTP, WIKA, JSMR, TOTL for infra-domino effect.

PT Trimegah Securities Tbk  
18<sup>th</sup>Fl, Artha Graha Building  
Jl. Jend. Sudirman Kav. 52-53  
Jakarta 12190, INDONESIA  
Tel : (6221) 2924-9088 Fax : (6221) 2924-9163

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