

Port Development and Commodity Potential



Trenggalek Regency, East Java Provincial, Indonesia

Priyambodo

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FOREWORD

Economic and trade inequality in the northern, central, and southern regions of East Java Province is no longer a secret for the people of East Java. The northern and central regions of East Java are relatively fast growing, compared to the southern regions of East Java Province. This difference in economic and trade development could be due to differences in transportation facilities and infrastructure, especially ports, so the distribution of goods, services, and people from and to the southern region of East Java Province is not smooth. Or it could be due to the absence or scarcity of commodities to be transported from the southern region of East Java Province because they have not been explored and processed and managed optimally.

Departing from the economic and trade imbalance in the southern region of East Java Province which is likely due to the lack of development of port facilities and infrastructure, the East Java Provincial Government, in collaboration with the local government and the Central Government, built a Commercial Port in Prigi, Trenggalek Regency, which is located next to the Fish Port. Prigi Niaga Port's capacity is 3000 DWT, located in a bay west of the Fish Harbor. Currently in place are a 10 x 75 m pier, a 8 x 55 trestle, and an 8 x 250 m causeway.

This book provides background on construction of the Prigi Niaga Port, the problem of economic disparity, port development planning and policies in East Java Province, accessibility, connectivity, hinterland, opportunities for the Prigi Niaga Port, potential commodities in the southern region of East Java Province, and strategies for accelerating development of Prigi Trading Port in Trenggalek Regency.

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Surabaya, September 2022

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1. Introduction

1.1 Background

Regional disparities in East Java Province are still relatively high. This disparity occurs mainly between the northern and southern regions of East Java. One of the efforts to minimize disparities is infrastructure development, namely the development of seaport infrastructure.

In the East Java Governor's Letter to the Minister of Transportation, Number 552.3/1079/113/2017, dated March 20, 2017, regarding the Proposed Revision of the Regional Port Master Plan, it was stated that the East Java Provincial Government proposed Prigi Port as a Regional Feeder Port. In line with the Regional Regulation of East Java Province Number 5 of 2012 concerning the Regional Spatial Plan of the Province of East Java for 2011-2031, it is stated that the Prigi Port Development Plan in Trenggalek Regency is part of the *East Java Provincial Regulation Number 5 of 2012*.

The Prigi development plan is supported by the preparation of planning documents, including a feasibility study (FS), a design investigation survey (DIS), and a detailed engineering design (DED). Another important planning document requirement to be fulfilled is the Port Master Plan Document. At this time, the Prigi Port Master Plan document is entering the refinement stage including adjustments in the form of a review of the facility plan required for a review study of the Prigi Port Master Plan.

Furthermore, apart from the construction of the Prigi Niaga Port in Trenggalek Regency, another aspect that needs to be addressed is the potential for commodities in the area around the Prigi Niaga Port, and how to develop these. Especially important are the Trenggalek, Tulungagung, Pacitan, Ponorogo, and Blitar regencies, which economically have grown in gross regional domestic product (GRDP) and have a lower human development index (HDI) compared to the northern region of East Java.

So, the southern region of East Java needs to be identified and mapped to explore the potential of its commodities because, in that area, the Prigi Niaga Port in Trenggalek Regency, which has a capacity of 3000 deadweight tonnage (DWT), will be built. The concept of regional development and development follow the concept of "trade follow the ship", so transportation facilities and infrastructure are built first, in the hope that the regional economy and trade will also develop.

1.2 Development Area (DA)

Based on *Regional Regulation Number 5 of 2012*, the East Java Provincial Government regulates the development of the East Java region into 8 (eight) development areas (DA) with each having economic activity functions. This was done because of the inequality in the economy and development between the northern and southern regions of East Java. These DAs are:

- DA Gerbangkertosusila Plus
- DA Great Malang
- DA Madiun and its surroundings
- DA Kediri and its surroundings
- DA Probolinggo–Lumajang,
- DA Blitar
- DA Jember
- DA Banyuwangi.

The eight DAs are spread throughout the northern, central and southern parts of East Java.

The rapid growth of the district/city economy in the DAs in the northern region of East Java cannot be separated from the availability of supporting infrastructure, namely the presence of large, medium, and small-scale ports scattered in the northern coastal areas of East Java, such as

- Tanjung Perak Port,
- Brondong Lamongan Port.
- Gresik Port,
- Pasuruan Port,
- Probolinggo Port,
- Situbondo Port, to
- Tanjungwangi Port in Banyuwangi.

The port infrastructure is very supportive of economic development and growth in its hinterland areas.

Good infrastructure development will ensure efficiency, facilitate the movement of goods and services and increase the added value of the economy, as well as be a driving factor for regional productivity (Iqbal et al., 2019). In the southern region there are no large and medium-scale ports, or small-scale fishing ports, so the economies in the southern regions such as the Regencies of Pacitan, Trenggalek, Ponorogo, Tulungagung, and Blitar, which are hinterlands of the Prigi Commercial Port, cannot grow and develop properly. Apart from possible non-existent commodities that have not been explored or developed optimally, it is also due to the limited transportation infrastructure in the area of the undeveloped port.

Prigi Trading Port, which is located in Trenggalek Regency, is located next to the people's fishing port. It was built by the East Java Provincial Government and the Central Government, and the pier, causeway, and trestle have just been completed with a capacity of 3000 DWT. Prigi Niaga Port is a small feeder port, which currently cannot be operated (Dishub East Java Province, 2019).

Port functions and activities arise as a consequence of the economic activities in a region. Economic growth and the development of industrial and trade products have resulted in greater demand for maritime transportation services, thereby increasing port economic activities such as loading and unloading and cargo (Rachmadi, 2016). With the construction of the Prigi Commercial Port in Trenggalek Regency, and other southern causeway transportation networks, the concept of developing and developing the southern region of East Java adheres to the concept of "trade follow the ship",

which is a regional development concept whereby port facilities and infrastructure are built first, followed by expanded trade growth in the economy.

The pattern of “trade follow the ship” in the development and construction of transportation infrastructure has been applied in the southern region of East Java because currently the southern region lacks good accessibility and connectivity and has not therefore been integrated with other areas in the East Java Province. The southern region has difficulty developing and exploring the potential of commodities in its region and limited success in distributing industrial, agricultural, and other local products to outside the region due to its limited transportation facilities and infrastructure.

The transportation facilities and infrastructure that have been developed in the southern region so far rely on road transportation for daily economic activities with the aim of supporting inter-regional activities in the province and between provinces. Meanwhile, for inter-island destinations, local products in the southern region of East Java are sent through the Tanjung Perak Port, Surabaya.

Now, the buffer areas or hinterlands of the Prigi Trading Port must be able to explore and improve the commodities in their area so the Prigi Trading Port can be used as a center for the movement of modes of transfer and distribution of goods (Mandasari et al., 2017).

Steps that can be taken include mapping the potential commodities in the area and how many there are. These areas are:

- Trenggalek Regency
- Madiun Regency/City
- Ponorogo Regency, Pacitan Regency
- Tulungagung Regency, and Blitar Regency/City, which are included in DA Madiun and its surroundings
- DA Kediri and its surroundings
- DA Blitar

DA Madiun includes:

- City of Madiun
- Regency of Madiun
- Regency of Ponorogo
- Regency of Magetan
- Regency of Pacitan
- Regency of Ngawi

These areas have service functions related to commodities: food crop agriculture, plantations, horticulture, forestry, animal husbandry, mining, tourism, education, health, and industry.

DA Kediri and its surroundings are centered in Kediri City and include:

- Kediri City
- Kediri Regency
- Nganjuk Regency
- Trenggalek Regency

Tulungagung Regency has service functions related to commodities: food crop agriculture, horticulture, plantation, forestry, animal husbandry, mining, education, health, tourism, fisheries, and industry.

DABlitar consists of the City of Blitar, and the district of Blitar has service functions related to commodities such as food crop agriculture, horticulture, plantations, animal husbandry, forestry, fisheries, mining, education, health and tourism.

In addition to mapping the potential of commodities in the region, other efforts that need to be made are implementing the concept of revitalizing port services such as human resource management, improvement of supporting infrastructure (including increasing capacity, ship flow/circulation, provision of anchorage pools, and normalization of sea lanes) (Saraswati & Buchori, 2017).

1.3 Disparity Problem

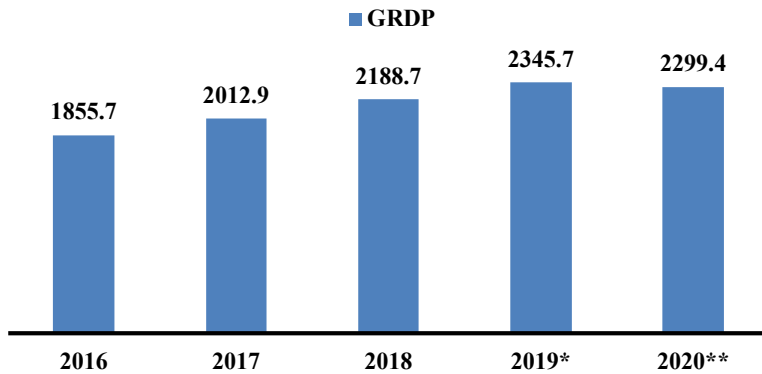
East Java Province has an area of 47,922 km² with a population of 40,665,696 in 2020. Prior to the COVID-19 pandemic, East Java was the industrial and financial center of the central and eastern regions of Indonesia and had a fairly high economic significance among other provinces. It still plays a fairly large role in the national economy, where 14.67% of Indonesia's Gross Domestic Product (GDP) is a contribution from the Gross Regional Domestic Product (GRDP) of East Java Province (Wahyudi, 2018).

The economic significance of East Java which is quite high on Indonesia's GDP is unfortunately accompanied by the unequal development between regions. The northern and central regions of East Java Province are more developed and advanced in processing and managing the potential of commodities in their region compared to the southern regions, causing economic disparities between the northern and southern regions which are quite high (Santosa, 2015).

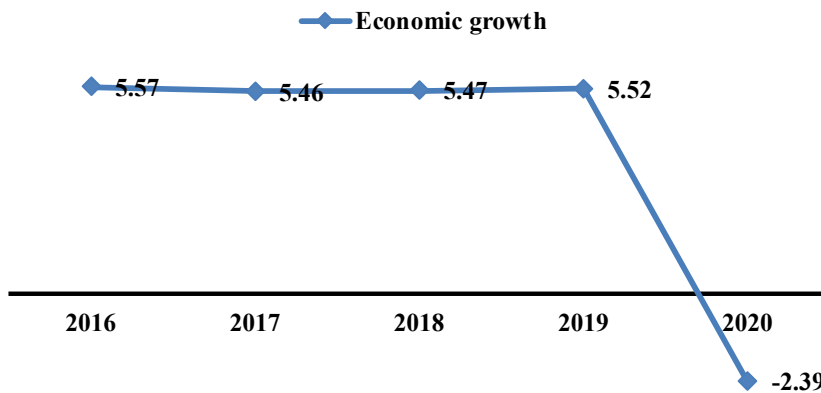
The GRDP of East Java Province at constant prices (ADHK) from 2016 to 2019 has increased. In 2016, it was 1855.7 trillion rupiah; in 2017 it was 2012.9 trillion rupiah; in 2018 it was 2188.7 trillion rupiah; and in 2019* (temporary figures) it was 2345.7 trillion rupiah. However, during the COVID-19 pandemic, namely in 2020** (a very temporary figure) there was a significant decline to 2299.4 trillion rupiah, so a decrease of 46.3 trillion rupiah.

East Java's economy over the last 5 years has been quite volatile. It decreased from 2016 to 2019, from 5.57% in 2016 to 5.46% in 2017, increased again to 5.47% in 2018 and increased again to 5.52% in 2019, and decreased quite drastically during the pandemic to -2.39% in 2020 as shown in Figure 1.1 below.

**East Java GRDP at Constant Prices (ADHK) 2016 - 2020
in Trillions**



East Java's Economic Growth in 2016 - 2020 in Percentage



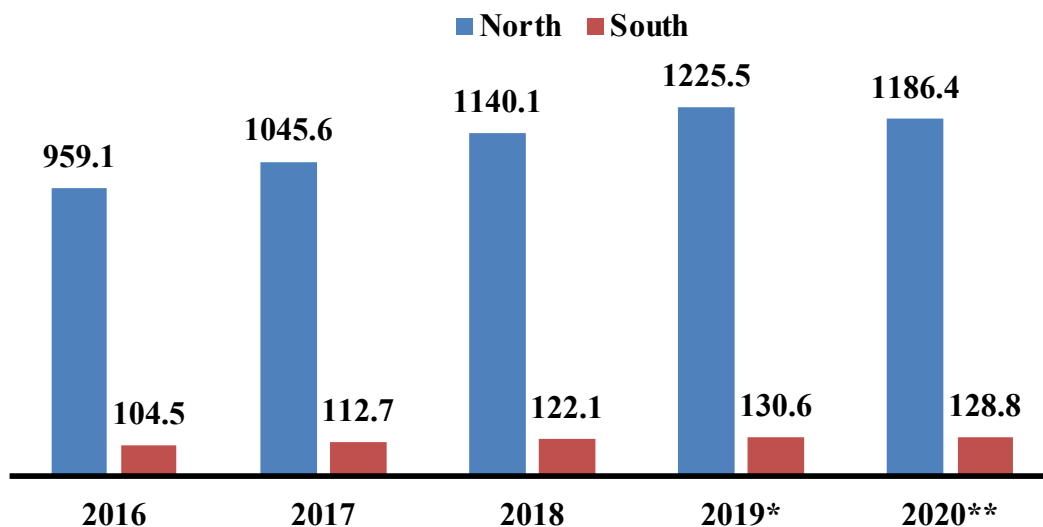
Source: East Java in Figures, 2021

Figure 1.1: GRDP and Economic Growth of East Java Province 2016 - 2020

Figure 1.1 shows that the growth of GRDP (ADHK) of East Java Province in 2019 decreased from IDR 2,345.7 trillion down to IDR 2,299.4 trillion in 2020 (Yhoga et al., 2021). The economic growth of East Java Province also decreased from 5.52% (c-to-c) in 2019 down to -2.34% (c-to-c) in 2020 (BPS East Java, 2021).

Furthermore, the disparity in economic growth between the northern and southern regions of East Java Province is shown by the significant difference in total GRDP growth at constant prices (ADHK) where the northern region has higher GRDP growth compared to the total GRDP growth in the southern region. The total growth of GRDP (ADHK) of the northern region in 2016 to 2020 ranged from Rp. 959.1 trillion to Rp. 1,225.5 trillion, while the total growth of GRDP (ADHK) of the southern region in the same period only ranged from Rp. 104.5 trillion to 130.6 trillion, so there is a considerable difference as shown in Figure 1.2 below.

Comparison of Total GRDP (ADHK) of North and South East Java 2016 – 2020 (in Rp. Trillions)

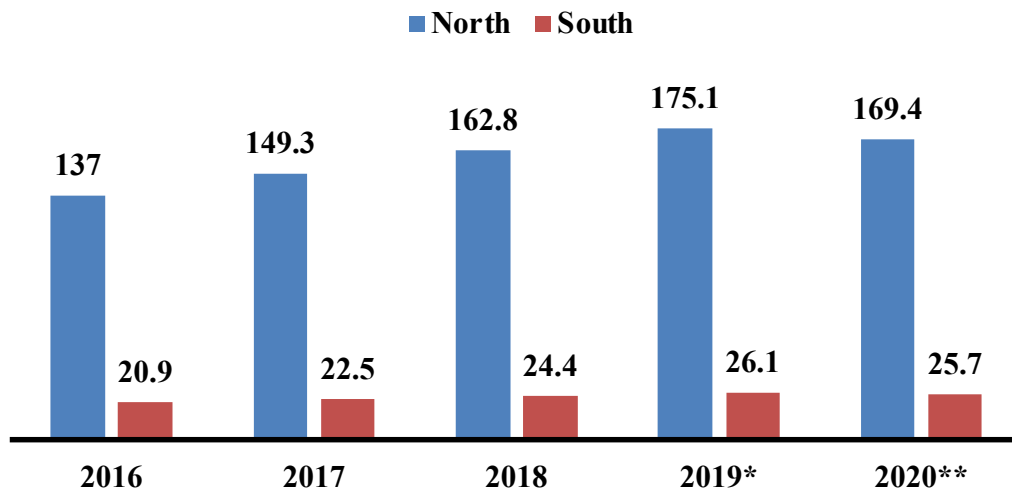


Source: East Java in Figures, 2021

Figure 1.2: Growth of GRDP (ADHK) for The Northern and Southern Regions of East Java Province 2016 - 2020

Figure 1.2 shows that the total GRDP (ADHK) growth of the northern region (Lamongan, Gresik, Surabaya, Sidoarjo, Mojokerto, Pasuruan, and Probolinggo) in 2019* (temporary figure) was Rp. 1225.5 trillion and has decreased to Rp 1186.4 trillion in 2020 (Yhoga et al., 2021). The total GRDP growth (ADHK) of the southern region appears to be much lower than that of the northern region, but the growth of the total GRDP (ADHK) of the southern region has also decreased. The total GRDP growth (ADHK) of the southern region (Trenggalek, Tulungagung, Pacitan, Ponorogo, and Blitar regencies) was IDR 130.6 trillion in 2019, down to IDR 128.8 trillion in 2020 (Yhoga et al., 2021).

Average GRDP (ADHK) for North and South Regions 2016 – 2020 (in Trillions)



Source: East Java in Figures, 2021

Figure 1.3: Average GRDP (ADHK) for The Northern and Southern Regions of East Java Province 2016 - 2020

Based on Figure 1.3 above, the average GRDP (ADHK) of the northern region (Lamongan, Gresik, Surabaya, Sidoarjo, Mojokerto, Pasuruan, and Probolinggo) in 2019* (temporary figure) was Rp. 175.1 trillion and decreased to IDR 169.4 trillion in 2020 (Yhoga et al., 2021). The average GRDP growth (ADHK) of the southern region appears to be much lower than that of the northern region. And the average GDP growth (ADHK) also decreased. The average GRDP growth (ADHK) of the southern region (Trenggalek, Tulungagung, Pacitan, Ponorogo, and Blitar districts) was IDR 26.1 trillion in 2019, down to IDR 25.7 trillion in 2020 (Yhoga et al., 2021).

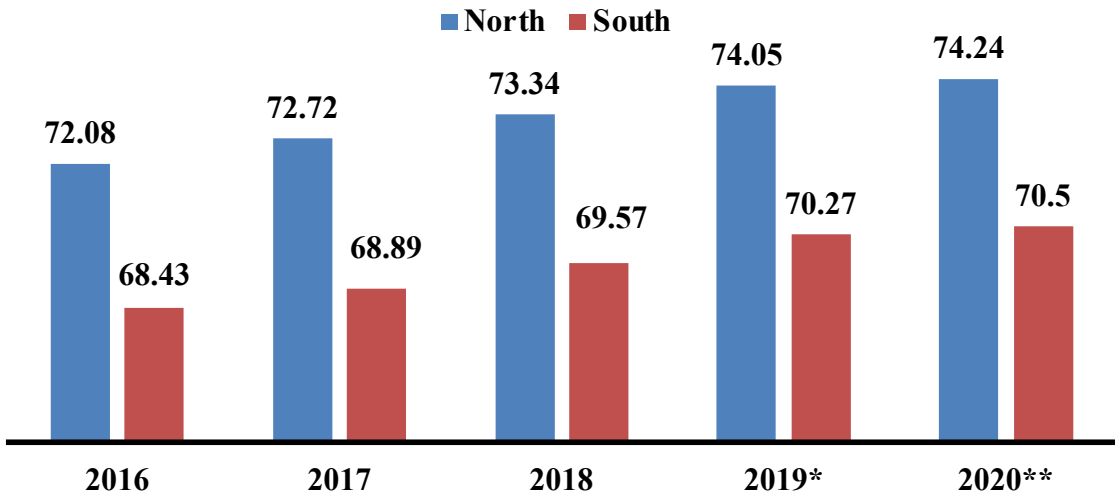
1.4 Human Development Index

The difference in GRDP between the two northern and southern regions of East Java indirectly indicates that there are differences in commodity potential and management between the two regions. In addition to the differences in commodity potential and management that have an impact on the economic growth of a region, another factor that needs attention is the human development index (IPM) factor. Human development index (HDI) is a very important indicator in measuring the success of a country in building the quality of life of its population/community. Determination of the ranking or level of development and economy of a region or country can be seen from its HDI (Kirana et al., 2019).

The HDI of the northern and southern regions of East Java Province from 2016 to 2020 always increased from year to year, although the increase was very small and did not reach number 1 when compared to the HDI of the southern region. If the average HDI for the northern region is 73.28 and the average HDI for the southern

region is 69.53, there is a difference of 3.75 (Central Statistics Agency, 2020). The HDI comparison and differences can be seen in Figure 1.4 below.

Average HDI for North and South East Java Region 2016 – 2020



Source: East Java in Figures, 2021

Figure 1.4: Average HDI in The Northern and Southern Regions of East Java Province 2016-2020

Seeing the differences in the growth of GRDP (ADHB) and HDI between the northern and southern regions of East Java Province indicates that the southern regions must be more active in exploring and managing the potentials that exist in their regions. These potentials can be the potential for agricultural commodities, livestock, fisheries, crafts, tourism, and so on according to the advantages possessed by each region.

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