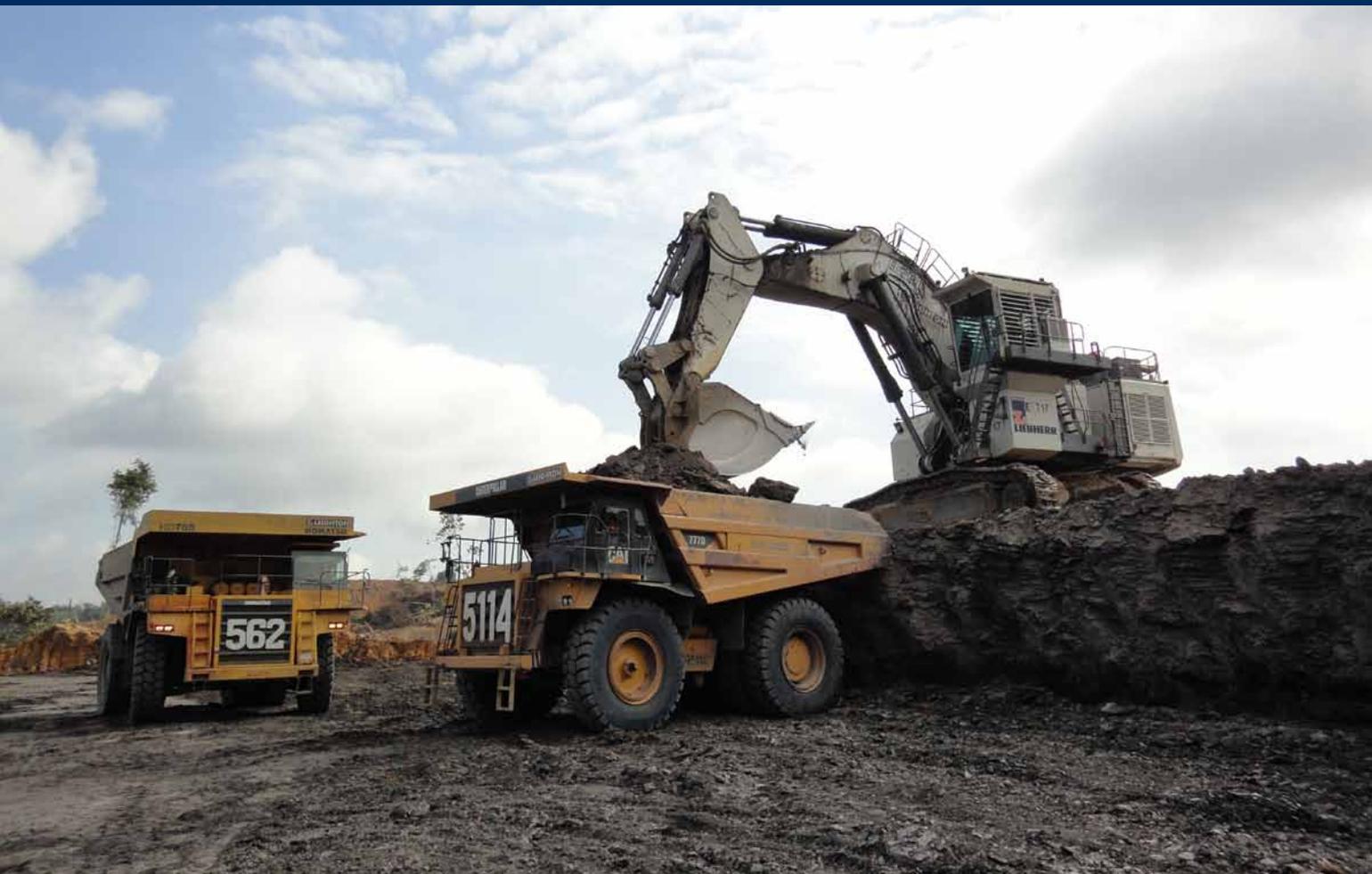




PT LEIGHTON CONTRACTORS INDONESIA

THE ROAD THROUGH THE ISLES



THE ROAD THROUGH THE ISLES

Indonesia has 17,000 islands and though PT Leighton Contractors Indonesia (LCI) works on just a few of those, logistics are a challenge. Mining Indonesian coal destined for China and India may be part of its core business; but diversity is LCI's second name



It was in 2000 that Leighton Asia, a subsidiary of Australia's largest services contractor and project developer Leighton Holdings, took over PT John Holland Constructions Indonesia, giving it a stronghold in one of Asia's most vibrant markets. At the time, John Holland was involved in a couple of coal mining projects, however the move was undertaken to give Leighton a strategic presence in Indonesia from which to undertake and develop a diversity of construction, mining and infrastructure work, something the company was well qualified to do, having become one of Asia's largest broad-based construction contractors with expertise in all aspects of civil, marine, building and foundation engineering and construction.

People often fail to appreciate the scale of the Indonesian archipelago, says Justin Colling, president director of PT Leighton Contractors Indonesia (LCI). "We operate across the entire width of the country—and it is 5,000 kilometres from end to end." And while most of the large scale coal mining operations Leighton has specialised in are near the coast, some of the smaller gold mines can be very inaccessible. A one day visit can involve three days of travel, he says. "One of the great things we can offer our clients is our varied experience from the largest coal mines in the world including very difficult and innovative mining techniques and methods, as well as the ability to work in some very difficult terrain—mountain goat country, you could call it!"

Contract mining could be said to be the bread and butter work of LCI, though



Overview of Martabe gold and silver mine



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Colling would like to see more in the way of civil infrastructure projects added to the portfolio as time goes by. Meanwhile Leighton is involved in two major coal projects. The flagship is probably the Wahana coal mine, situated at the southern tip of Kalimantan.

Worth \$3.5 billion to Leighton, the contract was awarded in 2007, and a very comprehensive contract it is, covering everything from planning and project management to materials, equipment and people services including training, community liaison, security, safety and medical services. Leighton was also responsible for the infrastructure and access roads, and is required to haul the coal to the client's stockpile at the docks some 22 kilometres away. "At Wahana we are mining between seven million and nine million cubic metres a month which is what a lot of mines do in a year. We are

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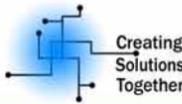


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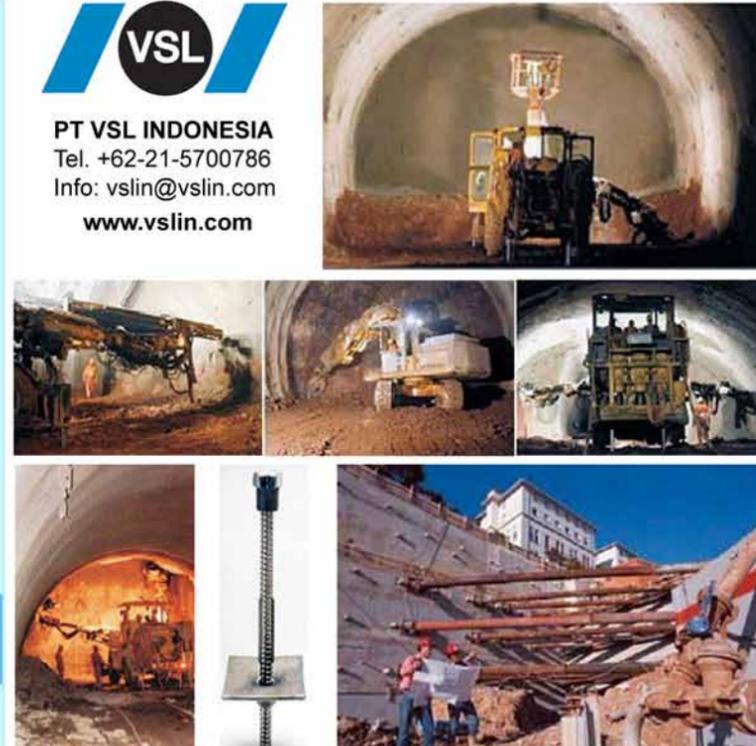
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Machinery at Wahana coal mine

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producing between 400,000 and 550,000 tons of coal a month.”

Every mine is unique, and invariably challenging, he continues. One fact of life is the weather—in Indonesia it rains a lot, and when it does, even the best roads become impassable. The contractor has to build infrastructure that will keep access open for as much of the year as possible—at these volumes, every day lost is a costly disaster. Wahana is an open pit with up to 13 different seams of coal dipping at angles between 15 and 30 degrees at a minimum mineable thickness of 200 millimetres: the long term operation involves the extraction of 69

million tonnes of coal and 897 million cubic metres of waste material over the projected 10-year mine life.

The other large coal operation is Mahakam Sumber Jaya coal mine (MSJ) near Samarinda in eastern Kalimantan. This mine has been operated by LCI since 2004 when it signed an initial three-year contract; however, the scope has been increased progressively. The client, a member of the Harum Energy Group, now hopes to extract a further 36 million tons of coal from MSJ under the contract, and the problems of logistics were overcome by the construction of an 8.5 kilometre road to take

2004

Year LCI began operating Mahakam Sumber Jaya coal mine



Wahana east pit

the coal to the client's loading facility on the Mahakam River.

Logistics in particular is an area where Leighton can add value. Bringing in the heavy earth moving equipment that will in any case be needed for the mining operations at an earlier point means it can be used to make the roads. "We are going to mobilise this equipment anyway: there is no point in mobilising equipment twice!" says Colling. "In this market the ability to bring projects in on time, safely, to specification

and within budget is a rare quality, and I'd say it is one of our selling points."

Indonesia is rich in minerals, and there are a couple of gold mines in Leighton's active portfolio. Martabe gold mine in North Sumatra typifies the challenges he speaks of: set in sloping jungle terrain that is seismically active and subject to significant rainfall, it holds a resource of 7.5 million ounces of gold and 72.6 million ounces of silver. LCI's \$152 million contract requires it to mine and haul around 20 million cubic metres of ore and

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waste material, conveying it to the process plant and provide access roads and offices. However mining is only just starting there, says Colling, and the workforce is still mainly engaged on the infrastructure. The Toka Tindung gold mine, on the northern tip of the island of Sulawesi, belongs to Archipelago Resources: mining started in 2010 and will run at least until 2016.

All of LCI's projects employ a large proportion of women. At Martabe, the number is around a quarter of the total workforce; that is common enough in the West but indeed rare in Indonesia, says Colling. "We made a commitment together with our client at the start of the project to employ a certain number of females there, and we soon found they excelled at

certain jobs—truck driving for example. So we started a special training programme, recruited a number of additional women and found that was very successful." Once the mining operation gets into full swing he hopes to be able to increase the number of women still further.

Training is an area where Leighton excels. The Leighton Education, Training and Skill Centre (LETSC) runs a mine training programme that has been successfully introduced at Wahana and will be rolled out to the remaining sites over the course of 2012, he says. "LETSC is at the heart of our ongoing efforts to develop our workforce in Indonesia through comprehensive and targeted learning and training programmes. This is part of developing a more targeted

and suitable model of operator and maintenance training that would not only allow us to customise training to project needs, but also ensure the basic skills are in place across all our projects.”

Indonesian staff have well mapped-out career paths; and the company is investing more time and effort in developing its leadership capability, he adds. The few expatriates—just 1.5 per cent of the workforce—are there to transfer their skills as much as to run the projects: at Wahana,

expatriate numbers have come down by more than half in the last 18 months. Furthermore, Wahana recently recorded 10 million lost time incident (LTI)-free man hours. However safety is not a destination—always a work in progress, he warns. “Safety is a bit like riding a motorcycle—the day you get complacent it throws you off.”

LCI’s strategy in Indonesia is to secure more civil work to supplement its big mining projects. Though contract mining will always be at the core, the company does do other

“SAFETY IS A BIT LIKE RIDING A MOTORCYCLE—THE DAY YOU GET COMPLACENT IT THROWS YOU OFF”



Coal loading pit, MSJ coal mine



Martabe gold and silver mine

things, such as the Donggi Senoro liquefied natural gas project in central Sulawesi, due to start producing in the fourth quarter of 2014. The plant is designed to deliver two million tons a year of LNG to customers in Korea and Japan.

Under a 15-month contract, Leighton cleared and prepared the site for the LNG plant and supporting infrastructure, set up drains and roads and provided paving and slope protection. Dump trucks, excavators and other heavy equipment had to be transported to the site by landing craft due to the project’s remote location. At the Freeport gold mine in Papua, Leighton is providing accommodation works for over 6,000 workers, and at Coca-Cola’s Amatil Indonesia bottling plant in West Java it is

starting work on the design and construction of a 32,000 square metre pre-engineered warehouse building.

The Coca-Cola contract is not large by Leighton standards but Colling is pleased to have won it. It is similar to the Freeport projects, involving the design and building of steel framed buildings. Smaller contracts are sometimes hard for a large company to secure, he reflects: “People may think our overheads put us out of the running but I think we have proved that we can compete and still add value.” **BE**

For more information about PT Leighton Contractors Indonesia visit: www.leightonasia.com



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19/F Talavera Office Park
Jl. T.B. Simatupang Kav. 22-26
Cilandak Barat
Jakarta, 12430
Indonesia

T +62 21 3000 2323
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