

Russian Railways to Build Line in Borneo

By [The Moscow Times](#)

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Indonesia plans a \$2.4 billion rail line, together with state firm Russian Railways, on Borneo Island, which will initially be used to transport coal, an Indonesian government official said.

The line in the East Kalimantan province is expected to start operating by the first quarter of 2017 and will help improve the decrepit infrastructure on the island, which has hampered exports of key commodities and put a brake on economic growth.

"The first stage of the railroad will be meant for coal, but hopefully we can also use it for crude palm oil, plantation harvests, rubber and people," Awang Faroek, governor of East Kalimantan, said in Jakarta on Tuesday.

A Russian Railways spokesman in Moscow said the company did not plan to invest directly in the project, but that it would work out its technical and economic feasibility.

He added that the project was first discussed in September 2011 and that a final agreement could be signed by the end of this year.

The first phase of development, which will cost \$1.7 billion, will be for 185 kilometers of railroad, with another 60 kilometers added during a second phase.

The capacity is expected to be 20 million tons of coal per year for the first phase, which will be financed by private investors and Russian state development bank Vneshekonombank, said Andrei Shigayev, a director of the project.

Southeast Asia's largest economy is the world's top producer of palm oil, the biggest exporter of refined tin and thermal coal, a major nickel miner and home to the world's second-largest copper mine and largest gold mine. The country's coal and palm oil assets are mostly located in Kalimantan.

The railroad will connect an area close to the Balikpapan port through the Kutai Barat regency to the border with the Central Kalimantan province, where the line is expected to be expanded in the second phase of the project.

"The Russians have expertise in heavy-haul rail lines," an Australia-based analyst said. "Russian Railways is a pretty big operator of rail infrastructure, so I would guess it's the rail company looking to expand."

Indonesia's thermal coal output is seen at 350 million tons this year, according to industry estimates, largely to meet demand for power in China and India.

The United Arab Emirates' MEC Holdings is currently building a railroad to export coal from its Kalimantan mine project, and leading Indian conglomerate Reliance ADA Group is set to invest between \$5 billion and \$10 billion in mining infrastructure.

"Traditionally, coal in Indonesia has been transported by pretty fragmented means — trucks, small private short railroads, barges," the analyst added.

"It does signal that the producers there and the government are getting a bit more serious in terms of their commitment to scale infrastructure."

Kalimantan's infrastructure bottleneck is similar to the problems faced by Russian miners. Inadequate rail infrastructure is limiting their ability to bring production from Siberia's vast interior to Asian markets.

Russian Railways has announced billions of dollars in spending on flagship projects in Russia, but some analysts say its main priority should be investment to maintain its current assets.

Infrastructure development in Indonesia has been slowed in the past decade because of uncertainties in acquiring land.

However, in December the parliament passed a land bill designed to speed up land acquisition for state projects deemed in the public interest as a way to address the problem.

Economic growth in Indonesia was 6.5 percent last year — its highest level since 1996, while the country attracted record foreign direct investment of close to \$20 billion.

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