



Setting up a Dutch-Indonesian Joint Venture company for Production Outsourcing

The case of TECHNOMED

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Indonesia



- ❑ GDP per capita : US\$ 2,200 (*)
- ❑ Minimum wage : US\$ 100
- ❑ Ease of doing business (ranking)
 - Overall : 122 (*out of 178 countries, World Bank*)
 - Labour legislation : 149 (*out of 178 countries, World Bank*)
 - Infrastructure (*) : 51 (*out of 178 countries, IMD World*)
 - Taxation : 126 (*out of 178 countries, World Bank*)
 - Customs : 45 (*out of 178 countries, World Bank*)
 - Legal certainty : 146 (*out of 178 countries, World Bank*)

(*) data 2008, other data are 2009

Netherlands



- ❑ GDP per capita : Euro 43,600 (*)
- ❑ Minimum wage : Euro 899
- ❑ Ease of doing business (ranking)
 - Overall : 30 (*out of 178 countries, World Bank*)
 - Labour legislation: 123 (*out of 178 countries, World Bank*)
 - Infrastructure (*) : 8 (*out of 178 countries, IMD World*)
 - Taxation : 33 (*out of 178 countries, World Bank*)
 - Customs : 13 (*out of 178 countries, World Bank*)
 - Legal certainty : 30 (*out of 178 countries, World Bank*)

(*) data 2008, other data are 2009



Indonesia

Main features of business climate

- 1) Political and legal
- 2) Infrastructure
- 3) Business Culture



Indonesia

Main features of business climate

1) Political and legal

- Second term President Susilo Bambang Yudhoyono, broad coalition
- Continued drive to reduce corruption
- Stronger emphasis on rule of law

Stronger emphasis on rule of law

- More legal certainty
- Strict application of rules by authorities (tax, customs, issuers of permits)
- Decision inertia

Indonesia



Main features of business climate

2) Infrastructure

- Little development since 1997, large backlog
- Severe bottlenecks in power, roads and ports

Indonesia



Main features of business climate

3) Business Culture

- Personal relations (importance of networking, building trust, take time, personal communication, sensitivity)
- Flexible time

Indonesia

Producing in Indonesia



Pros

- Low cost of labour and land
- Availability of raw materials
- Established democracy
- People's orientation

Cons

- Infrastructure bottlenecks
- High level of regulation
- Requires intensive management

JV-partners



- **PT AbadiNusa**, Indonesia (Ade Tarya)
- **Paes Beheer BV**, The Netherlands, holding company of Technomed Europe (John Paes)

Both SMEs, manufacturers of medical devices

founded the Joint Venture company **PT Technomed Asia**



Technomed Asia

Medical Accessories



Technomed Europe

- Privately owned company, founded in 1980
- Sales to Dutch hospitals, European sales and marketing since 1987
- Since 1994, manufacturer of medical diagnostic accessories like needle electrodes, sensors and interconnection systems
- Own R&D, innovative projects oriented
- Turnover around 6 million Euro annually
- 50 FTE's
- Global export , strong presence in USA market
- HQ and production site at Maastricht-Airport, the Netherlands
- Sales office in Minnesota USA

Dutch facility of Technomed Europe



Production



Assembly



Clean-room

PT AbadiNusa



- Also founded 1980 as privately owned company
- President / owner Mr. Ade Tarya
(Chairman of Indonesian medical manufacturers branch organization Aspaki)
- Leading manufacturer of stethoscopes, blood pressure equipment and related accessories
- Turnover around 8 million USD annually
- 250 FTE's
- Export worldwide, strong presence in ASEAN market
- Production site in Bandung
- Head Office in Jakarta

Core business of JV partners



Technomed Europe

- Developer and producer of specialized medical accessories (niches)
- Sales and marketing activities mainly in Europe and USA

PT AbadiNusa

- Developer and producer of medical equipment and related accessories (commodities)
- Sales and marketing activities mainly in Asia, Japan and USA

Project History – year 2000



- Technomed Europe started their orientation in Asia and made a comparison between China and surrounding ASEAN markets
- Technomed's goal to sell and eventually outsource its product line in Asia
- Jakarta: Both parties did participate in Brokerage Event Medical Device Industries during trade mission
- Meeting identified products most needed in Indonesia (i.e. blood bags and IV-soft-bags)
- Parties were interested in a cooperation, eventually as future JV business relations

Project History - 2001 & 2002



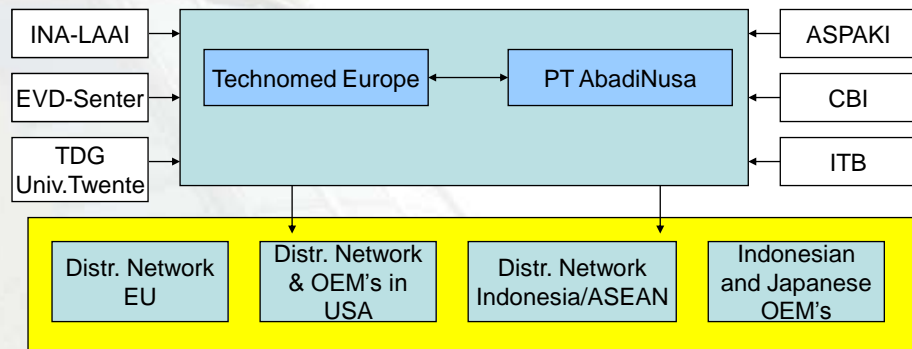
- Several meetings between both parties in Indonesia and in The Netherlands (where AbadiNusa participated in a CBI training).
- TE participation in 2nd. trade mission
- Orientation on Indonesian business and legal aspects (LAAI , INA and TDG, TU Twente)
- L.O.I. and draft agreement signed to initiate a Joint Venture company in Indonesia.
- Final project plan defined and mutually agreed

Project History - 2003 & 2004



- Execution of a feasibility study (subsidized by FMO-IPTA).
- Student assignment in Indonesia (TU Twente)
- Preparation of PSOM application based on the outcome of own EMP and feasibility study.
- Strengthens commercial relations between JV partners (joined presence at Medica Dusseldorf)
- PSOM grant provided by EVD/Senter
- Execution of the PSOM pilot project, start November 2003, completed in 2006

Project Partners and Network



Project Phases (1 and 2)



Objectively Verifiable Indicators (OVI's)

| | |
|------------|---------------------------------|
| Nov. 2003 | Final project plan |
| Dec. 2003 | Signed JV agreement |
| Jan. 2004 | Investment approval by BKPM |
| Mar. 2004 | Defined Articles of Association |
| April 2004 | Check with LAAI and INA |
| June 2004 | Approved Deed of Incorporation |
| Sept. 2004 | Design and start building plant |
| Nov. 2004 | Purchase capital equipment |
| Jan. 2005 | Contract first 10 employees |



Project Phases (3 and 4)

Objectively Verifiable Indicators (OVI's)

| | |
|-----------|--------------------------------------|
| Feb. 2005 | Qualification / training employees |
| Mar. 2005 | Installation equipment /clean room |
| Mar. 2005 | TNO validation and ISO certification |
| Apr. 2005 | Opening production facility |

| | |
|-----------|-----------------------------------|
| June 2005 | Start pilot production |
| July 2005 | Start product qualification |
| Sept.2005 | Product registration at Badan POM |

| | |
|-----------|-------------------------------|
| Oct. 2005 | Start outsourcing for TE |
| Jan. 2006 | Market launch of new products |
| Aug.2006 | Completion of PSOM Project |

Production plant Technomed Asia



First set-up of IV-bags production



Inspection and QA



Outsourcing Activities



Internal quality control



Core business Technomed Asia

(since 2007)

- Producer of medical soft bags for IV solutions and medication
- Certified outsource facility for Technomed Europe
- Developer and producer of spin-off products such as bladderless blood pressure cuffs
- Sales of products from both companies (TA and TE) in ASEAN and Japanese markets

Why this JV in Indonesia?

- Great attention for SMEs (small scale mentality)
- Historical relation with The Netherlands
- Great network of JV partner, good balance
- Large internal market (population of 232 million)
- Economical cooperation with other ASEAN markets
- Fast growing economy, good investment climate
- Regional availability of raw materials, resources
- Low salaries and future costs development
- Good education (ITB) and R&D potential
- Excellent support by authorities and INA

Key Success factors



- Taking time for extensive preparation and training
- Mutual equality and respect
- Top management commitment to Indonesia and to Europe

INA Services



- Market Research, Company Information Indonesia and Europe
- Company Establishments and Legal Advice
- Company Administration, Taxes and Job Mediation
- Events Organization and Publications
- Work Permits, Visa
- News Clipping and Documentation

Thank you
for your attention



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