INDONESIA'S MARITIME POLICY

Macro and Micro - Case of Maritime Highway & Pelindo Merger

TRI ACHMADI & RIANT NUGROHO

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Greetings
Director General of Maritime Affairs
Ministry of Transportation
Republic of Indonesia

Assalamualaikum Wr. Wb.
The Directorate General of Maritime Affairs, Ministry of Transportation, feels fortunate to have Institut Teknologi Sepuluh Nopember (ITS), Surabaya, and Rotterdam University of Applied Science (RUAS), Rotterdam, the Netherlands, as working partners in developing the first learning program in Indonesia, namely the Master Program in Marine Transportation Engineering. The existence of this program is evidence that society, especially the academic world, has warmly welcomed it.

This book is a continuation of our commitment, as it provides crucial insights into Indonesia's current marine transportation policies and the agenda required to be done. We realize that the Maritime public policy, especially in Marine Transportation related to marine transport and port management, still requires support to ensure that the resulting policies are more reliable and provide maximum public benefits.

In conclusion, I warmly welcome the publication of this book and hope that it can benefit all of us, especially stakeholders in the related field, in realizing Indonesia's Maritime Vision as the Global Maritime Fulcrum, as proclaimed by President Jokowi since 2014.

Wassalamualaikum Wr. Wb.
Jakarta, September 17, 2022
Ir. Arif Toha Tjahjagama, DEA.
Director General of Maritime Affairs.

Foreword
Head of the Department of Marine Transportation Engineering

The dual degree master's program in marine transportation engineering is the first postgraduate program in Indonesia, organized by the Institut Teknologi Sepuluh Nopember (ITS) Surabaya in collaboration with Rotterdam University of Applied Sciences (RUAS) and supported by the Ministry of Transportation of the Republic of Indonesia. This program is a response from the higher education sector to President Joko Widodo's vision of building Indonesia as the Global Maritime Fulcrum.

In the first batch, it turned out that the class had excellent quality, prompting senior instructors from ITS, Ir. Tri Achmadi, Ph.D., and Dr. Riant Nugroho, M.Si., decided to create a book titled "Indonesia's Maritime Policies" in the form of an anthology, together with the best coursework from the students. We are very proud of this outcome and hope it can serve as a reference book in this program.

This book is tangible evidence of ITS's commitment to being a significant part of realizing President Joko Widodo's vision.

Surabaya, September 10, 2022
Dr.-Ing. Ir. Setyo Nugroho
Head of the Department of Marine Transportation Engineering
Institut Teknologi Sepuluh Nopember (ITS) Surabaya.

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OPENING REMARKS

CHAPTER 1.
OPENING REMARKS

Riant Nugroho & Tri Achmadi

As postulated by Thomas R. Dye, one of the leading scholars in public policy, in his classic work published in 1972, "Understanding Public Policy" (2016), public policy encompasses everything that a government chooses to do or not do, the reasons behind those choices, and the implications of those decisions. This simple yet impactful postulate serves as a reminder to every government that even a decision not to act constitutes a form of public policy.

So, when President Abdurrahman Wahid initiated the Maritime Policy, it was a manifestation of public policy. Likewise, when his predecessors chose not to construct a robust Maritime Policy, that too constituted public policy. This explanation prevents influential figures from claiming, "I have not done anything, so I have not implemented any policies, and then if anything goes wrong, it is not my fault."

Public policy has two potential outcomes: success or progress and failure or the risk of failing. President Wahid opted to develop the maritime sector, recognizing that approximately 85% of Indonesia's territory comprises the sea. He took a pivotal step by establishing the Department of Marine Exploration and Fisheries (*Departemen Eksplorasi Laut dan Perikanan*) through Presidential Decree No. 355/M in 1999. This department underwent several transformations: first into the Department of

Marine Exploration and Fisheries via Presidential Decree 147/1999, then into the Department of Marine Affairs and Fisheries through Presidential Decree No. 165/2000, before finally evolving into the Ministry of Marine Affairs and Fisheries. This policy was upheld by President Megawati (2001 - 2004) and Yudhoyono (2004 - 2014).

Moreover, towards the end of his tenure, the President, in collaboration with the Indonesian Parliament (DPR RI), enacted Law No. 32/2014 on Maritime Affairs. This law was rooted in recognizing that the Republic of Indonesia, an archipelagic state, has abundant natural resources. These resources are seen as a blessing and grace from the Almighty God, meant to benefit the entire Indonesian nation and state, necessitating sustainable management to foster common welfare, as stipulated in the 1945 Constitution of the Republic of Indonesia. The maritime territory, which forms a substantial part of Indonesia's domain, holds a strategic position and bears significant value across various aspects of life, including politics, economics, socio-cultural facets, defense, and security, establishing the fundamental groundwork for national development. The management of marine resources must be guided by a legal framework, ensuring legal certainty and widespread benefits for the entire society.

In its explanation, it is stated that throughout its journey, Indonesia has experienced three pivotal moments that have strengthened its existence as an independent archipelagic nation, recognized by the world. These moments are:

1. The Youth Pledge (*Sumpah Pemuda*) on October 28, 1928, which declared the unity of the Indonesian national spirit.
2. The Proclamation of Independence on August 17, 1945, which declared that the Indonesian people had become a united nation desiring to live under a single statehood.
3. The Djuanda Declaration on December 13, 1957, which declared that Indonesia began to strive for territorial unity and de jure recognition as embodied in the United Nations Convention on the Law of the Sea (UNCLOS) 1982 and ratified by Indonesia through Law No. 17 of 1985.

It is noted that at the time of the proclamation of the Republic of Indonesia, according to the Transitional Provisions of the 1945 Constitution of the Republic of Indonesia, the extent of Indonesia's territorial waters was defined by the Territorial Zee en Maritime Kringen Ordonantie (TZMKO) of 1939. This stipulated that Indonesia's territorial waters only encompassed the sea lanes surrounding each island or part of Indonesia, extending merely three nautical miles outward. Consequently, this left open seas between islands such as Java and Kalimantan and between Nusa Tenggara and Sulawesi. Indonesia's boundaries remained nebulous because the 1945 Constitution of the Republic of Indonesia did not explicitly delineate the country's territorial limits. The boundaries at the proclamation time encapsulated the areas previously under Dutch colonial rule, adhering to the principle of international law known as uti possidetis juris. Notably, the 1945 Constitution should have addressed the status of territorial waters, leaving the guidelines

set by the TZMKO of 1939 in place, a situation perceived as disadvantageous and precarious, especially concerning defense. Hence, efforts were initiated to forge a united archipelagic region of Nusantara, encompassing the land, the sea (including the seabed beneath), the airspace above, and all inherent resources as a single territorial entity.

It is explained that the struggle to establish the unity of this territory was carried out through the Djuanda Declaration, which was based on political, geographical, economic, defence, and security considerations. In the Djuanda Declaration, Indonesia stated that all waters around, between, and connecting the islands or parts of the islands that are part of the territory of the Unitary State of the Republic of Indonesia, regardless of their size or width, are parts that are rightfully part of Indonesia's mainland territory and are considered as part of the national waters under the absolute sovereignty of Indonesia. To advocate for Indonesia's territory in line with the Djuanda Declaration, during the first United Nations Conference on the Law of the Sea in 1958 in Geneva, the Indonesian delegation introduced the concept of an archipelagic state. The Djuanda Declaration was reinforced by Law No. 4/Prp of 1960 concerning Maritime Zones, which established Indonesia's territorial sea as 12 nautical miles wide from the baseline of the Indonesian archipelago. Additionally, it is stated that waters located on the inner side of the straight baselines connecting the outermost points of the islands within the archipelagic state of Indonesia are inland waters where Indonesia has absolute sovereignty.

The history of Indonesia's delegation struggle for the recognition of the archipelagic state concept continued at the second and third United Nations Conferences on the Law of the Sea. Finally, at the twelfth session of the Third United Nations Conference on the Law of the Sea, the text of the Convention was signed by 119 countries and officially became the United Nations Convention on the Law of the Sea (UNCLOS) 1982, consisting of 17 parts and 320 articles. This Convention recognized the concept of archipelagic state law and established that archipelagic states have the right to draw straight baselines to measure their territorial sea, additional zones, Exclusive Economic Zones (EEZs), and continental shelves. Waters located on the landward side of the baselines were recognized as inland waters, while other waters located between islands within the baseline were recognized as archipelagic waters. However, the exercise of sovereignty in archipelagic waters under UNCLOS 1982 respects the rights of other countries to transit archipelagic sea lanes. The significant expansion of Indonesia's maritime territory should be seen as a national asset and a real challenge that requires proper management, protection, and security for the benefit of the Indonesian people.

The Law No. 32/2014 acknowledges that earlier maritime development encountered numerous challenges during its implementation, primarily due to the need for comprehensive legislation overseeing the amalgamation of various sectoral interests in the maritime region. These challenges manifested at several stages, including in planning, utilization, as well as in supervision and control. Consequently, there emerged a

pressing need for robust regulations concerning maritime affairs aimed at fulfilling the following objectives:

1. Establishing Indonesia as a distinguished archipelagic and maritime nation.
2. Exploiting maritime resources and activities responsibly, in line with national laws and international maritime laws, to foster national prosperity.
3. Ensuring the sustainable and secure management of seas as habitable and vibrant spaces for the Indonesian populace.
4. Utilizing maritime resources sustainably to maximize the welfare of the current generation without compromising the prospects of future generations.
5. Encouraging the propagation of maritime culture and knowledge amongst the populace.
6. Cultivating a professional, ethical, and dedicated maritime workforce with a national orientation to facilitate integrated and optimal maritime development.
7. Offering legal certainty and widespread benefits to the entire archipelagic nation.
8. Enhancing the role of the Unitary State of the Republic of Indonesia in global maritime affairs, aligning with international maritime law to serve the nation's interests.

The policy further mandates that maritime affairs be implemented grounded on the principles of sustainability, consistency, integration, legal certainty, partnership, equitable distribution, community participation, transparency, decentralization, accountability, and justice. The regulatory

range concerning the execution of maritime affairs encompasses the following domains: maritime territory, maritime development, maritime management, maritime spatial management and environmental protection, defense and security, law enforcement, maritime safety, governance and institutions, and community participation. These guiding principles and regulatory areas are conceptualized to foster a comprehensive and unified approach to overseeing Indonesia's maritime affairs.

President Yudhoyono's policy trajectory was not only sustained but also substantially accentuated under the leadership of President Joko Widodo (Jokowi). It was Jokowi who envisioned and articulated Indonesia's stance as the Global Maritime Fulcrum. During the East Asia Summit (EAS) held in Nay Pyi Taw, Myanmar, on November 13, 2014, he delineated the developmental blueprint to propel Indonesia to the forefront as a pivotal maritime hub, grounded on five primary pillars:

1. Revitalizing Indonesia's Maritime Culture: President Jokowi emphasized that, being a nation dispersed over 17,000 islands, Indonesians ought to perceive themselves as a maritime people, with their identity, prosperity, and future intrinsically tied to their mastery over the seas.
2. Steadfast Commitment to Marine Resource Stewardship: This aspect underscored the objective of establishing food sovereignty through a vibrant fishing industry, centered around the welfare of the fishermen. President Jokowi asserted that the maritime riches of Indonesia would be channelized to uplift the society.

3. Enhancing Maritime Infrastructure and Connectivity: In this context, President Jokowi underscored the imperativeness of advancing maritime infrastructure encompassing Maritime Highway, deep-sea ports, logistics, shipbuilding, and fostering maritime tourism.
4. Maritime Diplomacy: Through this pillar, President Jokowi beckoned Indonesia's global partners to forge alliances in maritime ventures, accentuating the necessity to collectively address and eradicate sea-based conflicts stemming from illegal fishing, sovereignty encroachments, territorial disputes, piracy, and environmental degradation in marine ecosystems.
5. Elevating Maritime Defense Proficiency: Acknowledging Indonesia's strategic position at the confluence of two oceans, President Jokowi underscored the significance of bolstering maritime defense capabilities. This initiative, as he elaborated, was not solely to safeguard Indonesia's maritime sovereignty and wealth, but also to fulfill Indonesia's obligation to maintain maritime safety and security in its waters.

These fundamental principles sum up Indonesia's ambitions as the Global Maritime Fulcrum, mirroring the nation's support to leveraging its maritime prowess for the welfare of its citizens and fostering global maritime partnerships. Parallelly, at a significant meeting of the Marine Environment Protection Committee (MEPC) held at the International Maritime Organization (IMO) premises in London, England, on April 19, 2016, President Jokowi emphasized Indonesia's firm focus on maritime sectors right from its promising stages. For Indonesia, the vast expanses

of the oceans not only bear a testament to its rich history but also underpin its economic and geopolitical stronghold, reflecting a rich maritime lineage.

> "Our economic vitality is significantly driven by the bounty of maritime resources and the thriving sea-borne trade routes. Today, we find ourselves strategically poised at the global epicenter of economic and political dynamics, functioning as a pivotal bridge between the Pacific and the Indian Oceans. It is an undeniable truth that we have neglected our maritime legacy for far too long, even when our true essence resonates with that of a maritime nation. As the world's foremost archipelagic state, a substantial part of our territory, about two-thirds, is engulfed by water, harboring a wealth of maritime assets such as abundant fish reserves, oil, gas, and a rich tapestry of biodiversity.", President Joko Widodo asserted.

Under President Jokowi's leadership, the Indonesian government is firmly committed to realizing the vision of transforming Indonesia into the Global Maritime Fulcrum. It is reaffirming the motto "Jalesveva Jayamahe" which is symbolizing a winning return to Indonesia's maritime identity.

> "We will build maritime infrastructure, protect our marine resources from illegal exploitation and damage, utilize the wealth of the sea for our people, safeguard the safety and security of the seas as the lifeblood of global trade, preserve it for our future generations, and for the world. Indonesia consists of more than 17,000 islands united by the sea. The

> development of maritime connectivity between these islands, what I call the Maritime Highway, has become a necessity through the construction of new ports, upgrading existing ports, increasing the fleet of logistics and passenger ships, and modernizing port management. All of this is being done to accelerate and distribute Indonesia's economic growth, making Indonesia's economy more efficient and competitive. Initially, many were skeptical of this plan, but President Jokowi added that the infrastructure development plan for the sea had already begun. Since 2015, they had completed 27 new ports, and they have also built 68 more ports in various regions, including Maluku, Papua, East Nusa Tenggara, and Sulawesi. Currently, they were adding 200 patrol, passenger, livestock, navigation, and cargo ships."

In his speech, the President emphasized that the policy of developing maritime infrastructure is a fundamental component in the efforts to revive Indonesia's maritime identity. This development forms a crucial part of reinforcing other pillars of the Global Maritime Fulcrum, encompassing maritime culture, maritime resources, maritime diplomacy and security, and maritime defense. Specifically addressing maritime resources, President Jokowi asserted that Indonesia would persist in adopting a stringent stance against illegal fishing activities within Indonesian waters. He perceives such actions as not only breaches of sovereignty and violations of territorial rights but also as detrimental to the marine environment in Indonesian waters.

The President conveyed that Indonesia's current initiatives are also a manifestation of its international responsibility.

> "We acknowledge that the exploitation of marine resources must be conducted sustainably to secure the well-being of our populace. We understand our duty as global citizens to safeguard the oceans. Furthermore, as a nation nestled between two oceans, we bear an obligation to contribute to the assurance of maritime navigation safety," President Jokowi remarked.

In this context, President Jokowi highlighted that Indonesia holds the International Maritime Organization (IMO), a specialized agency of the United Nations (UN) mandated with ensuring maritime safety and security, and preventing marine pollution, in high regard. Moreover, he emphasized the importance of international shipping as a pivotal element fostering sustainable global economic growth, operating effectively within a mutually agreed regulatory framework.

> "Our strategic position, flanked by two oceans forming the fulcrum of global shipping, plays a vital role in preserving the freedom and security of international maritime navigation, particularly at the juncture of sea routes connecting East-West and North-South trade corridors. Furthermore, Indonesia is steadfast in its commitment to propelling maritime education and training, standing as a nation boasting the world's second-largest contingent of seafarers. Harnessing the capabilities of 575,000 seafarers, we have fulfilled various

> international prerequisites through meticulous training, education, and technical collaboration with the IMO. Currently, we are vigorously collaborating with the IMO to facilitate cleaner oceans. Notably, last year we ratified the International Convention for the Control and Management of Ships' Ballast Water and Sediments from 2015," President Jokowi added.

Additionally, President Jokowi urged the formulation of more robust and encompassing international regulations to curb marine pollution. Indonesia has spearheaded initiatives to formulate such regulations, driven by the conviction that global well-being hinges on prudent ocean management by Indonesia. This vision can be realized by safeguarding the oceans as a shared heritage of all nations, fostering international collaboration, primarily through the avenues provided by the IMO.

In furtherance of this vision, President Jokowi inaugurated the Coordinating Ministry for Maritime Affairs during his tenure, instituting an organizational framework to actualize Indonesia's maritime aspirations. Leading the charge, the Ministry of Maritime Affairs coordinates the execution of directives delineated in Presidential Regulation No. 16/2017 concerning Indonesia's Maritime Policy. This directive is structured to establish Indonesia as a Global Maritime Fulcrum, a developed, sovereign, self-sufficient, and resilient maritime nation, adept at fostering regional and global security and peace, aligned with national objectives.

During his tenure, President Jokowi established the Coordinating Ministry of Maritime Affairs for the first time, serving as a concrete testament to Indonesia's maritime mission. Hence, Jokowi's maritime policy has been institutionalized to ensure the successful realization of this vision. This ministry spearheads the execution of mandates outlined in Presidential Regulation No. 16/2017 regarding Indonesian Maritime Policy. The policy document highlights the abundant potential of maritime resources and the history of maritime glory in the past, affirming that revitalizing Indonesia's maritime splendor is not an unattainable goal. The Djuanda Declaration of 1957 has paved the way for new hopes to restore Indonesia's glory as a maritime nation. The next steps require adjustments to the nation's mindset, attitude, and actions, grounded in an awareness of the maritime space where Indonesia resides, through maritime-oriented development. Therefore, the development of a maritime vision becomes an urgent demand and necessity for the Indonesian nation. This vision is embodied in the concept of Indonesia as the Global Maritime Fulcrum, depicting Indonesia as a sovereign, advanced, independent, and strong maritime nation capable of making positive contributions to regional and global security and peace in line with national interests. To implement the Global Maritime Fulcrum vision, accelerating maritime development is seen as an imperative to enhance the wellbeing of all the Indonesian people. The role, potential, and opportunities for Indonesia to become the Global Maritime Fulcrum need to be clearly articulated. Given the complexity of maritime elements, differentiation and selection are needed to determine which aspects will be the focus. The document also emphasizes that the Global Maritime Fulcrum vision needs to

comprehensively consider the constellation of international relations in Asia, as well as various regional initiatives such as the ASEAN Community, the One Belt One Road (OBOR) initiative from the People's Republic of China, the Act East policy from India, and the Re-Balance strategy from the United States. In this context, the Global Maritime Fulcrum vision can synergize with these initiatives, aligning with national interests and making positive contributions to regional peace. The realization of the Global Maritime Fulcrum vision requires the right, effective, and competitive supporting policies, and programs, involving coordination between various ministries and government agencies.

This Presidential Regulation affirms that the vision of Indonesia's maritime policy is to realize Indonesia as the Global Maritime Fulcrum, becoming an advanced, sovereign, independent, and strong maritime nation capable of providing positive contributions to the security and peace of the region and the world, in line with national interests. The government has set the following missions for Indonesia's Maritime Policy:

1. Optimal and sustainable management of maritime resources
2. Development of quality human resources, reliable maritime science, and technology
3. Development of robust maritime defense and security
4. Enforcement of sovereignty, law, and safety at sea
5. Good governance of maritime affairs
6. Welfare of coastal and small island communities distributed steadily

7. Increased economic growth and competitive maritime industry
8. Reliable maritime infrastructure
9. Completion of marine spatial planning regulations
10. Marine environmental protection
11. Maritime diplomacy
12. Formation of maritime identity and culture.

It is emphasized that the realization of Indonesia's maritime vision and mission must adhere firmly to national interests, as well as justice and maximum benefits for the welfare of the Indonesian people. Indonesia's Maritime Policy is based on six fundamental principles: (1) archipelagic outlook, (2) sustainable development, (3) blue economy, (4) integrated and transparent management, (5) participation, and (6) equality and distribution.

Indonesia's Maritime Policy consists of seven pillars as follows:

1. Management of Maritime Resources and Development of Human Resources, with 21 main strategies, including 9 strategies for maritime resource development and 12 strategies for human resource development.
2. Defense, Security, Law Enforcement, and Safety at Sea, with 8 main strategies.
3. Governance and Institutions at Sea, with 3 main strategies.
4. Economy, Infrastructure, and Improved Welfare, with 20 main strategies, including 8 strategies for maritime economy, 7 strategies for maritime infrastructure, and 5 strategies for welfare improvement.

5. Management of Maritime Space and Protection of the Marine Environment, with 12 main strategies, including 6 strategies for maritime space management and 6 strategies for marine environmental protection.
6. Maritime Culture, with 5 main strategies.
7. Maritime Diplomacy, with 7 main strategies.

At this point, it can be deduced that Indonesia has established a strong maritime policy. Consequently, within the curriculum of the Double Degree Masters Program in Marine Transportation, specifically in the Maritime Business Policy course, students are challenged to formulate subsidiary policies as a component of the management of Indonesian maritime policies. This volume encapsulates writings from the participants of this course, attesting to the fact that even at the educational stage, we are nurturing a crew of thinkers and policymakers in the maritime sector.

The focal point of this volume is "Policies and Strategies to Advance Maritime Business," primarily segmented into two parts. The first segment can be characterized as a macro-policy or public policy initiative, and corporate policy as a derivative of public policy, resonating well with business stakeholders, substantiated by a case study on The Maritime Highway, a foundation of maritime and transportation programs in the marine sectors. This segment can be termed a micro-policy initiative as it directly pertains to stakeholders or corporations. Suppose the second segment epitomizes the micro dimension of government policies accommodated by the relevant business entities. In that case, the third segment delineates corporate

action on merging Indonesian state-owned port enterprises from three separate entities into a unified corporation. This notion was initially conceptualized in 1999 by the Minister of State-Owned Enterprises, Tanri Abeng, as a part of the state-owned enterprises master plan prepared in collaboration with State-Owned Enterprises Reform Team I and II.

This volume serves as pedagogical material that facilitates a broader understanding among participants and the public concerning Indonesian maritime policies in conjunction with relevant corporate business strategies.

SECTION ONE:
MACRO PUBLIC POLICY

CHAPTER 2.
POLICY, STRATEGY, AND FIVE-YEAR PLAN FOR ADVANCING MARITIME BUSINESS

CHAPTER 2.
POLICY, STRATEGY, AND FIVE-YEAR PLAN FOR ADVANCING MARITIME BUSINESS

Nur Ilman Habil

Introduction

Indonesia encompasses over 17,504 islands, 13,466 of which have been named. This fact makes Indonesia the world's largest archipelagic country. Notably, 92 of these outermost islands define Indonesia's maritime territorial boundaries leading towards the open seas and are officially registered with the United Nations. Indonesia possesses an extensive coastline that stretches approximately 95,181 kilometers, strategically nestled between the continents of Asia and Australia, as well as the Indian and Pacific Oceans. Its land spans about 2,012,402 square kilometers, complemented by a vast sea area of around 5.8 million square kilometers (or 75.7%). This sea area includes 2,012,392 square kilometers of internal waters, 0.3 million square kilometers of territorial sea, and 2.7 million square kilometers designated as an Economic Exclusive Zone (EEZ).

Historically, despite their significant impact on various sectors such as the economy, environment, culture, and security, Indonesia's maritime and marine industries have not been prioritized or highlighted as much as they should be, frequently taking a back seat to initiatives concentrated on land-based developments. However, a turning point is evident in the tenure

of President Joko Widodo, who advocates for a "sovereign, independent, and personality-based Indonesia nurtured through cooperation." His administration has kindled renewed enthusiasm and optimism for maritime development, aiming to fully harness the abundant potential of the nation's marine natural resources. This vision has been delineated in several ambitious missions, setting a clear path toward realizing Indonesia's maritime aspirations. This vision is summarized in the following missions:

1. Fortifying national security to uphold territorial sovereignty, foster economic self-reliance through the prudent management of maritime resources, and enhance Indonesia's identity as a bona fide archipelagic nation.
2. Establishing a progressive and sustainable society anchored in the rule of law.
3. Advocating for an active and autonomous foreign policy that underscores Indonesia's maritime heritage and identity.
4. Elevating the quality of life for the Indonesian populace to a level characterized by both advancement and prosperity.
5. Stimulating national competitiveness.
6. Guiding Indonesia's metamorphosis into a maritime powerhouse that is independent, advanced, strong, and steered by national interests.
7. Nurturing a society intensely rooted in cultural identity.

Significantly, three out of the seven missions highlighted are directly linked to the maritime sector, reinforcing Indonesia's prominent position as a major global archipelagic nation. Recognizing the crucial role of the marine sectors, President Joko Widodo inaugurated the Coordinating Ministry for Maritime and Investment Affairs to oversee and boost maritime developments. Furthermore, he introduced strategic initiatives like the "Maritime Fulcrum" and the "The Maritime Highway" to enhance maritime connectivity and trade. These efforts to prioritize maritime development align well with Indonesia's rich maritime history, characterized by a thriving inter-island trade network before the colonial period.

Throughout history, the sea, coasts, and rivers have been the nation's lifeblood, fostering vital hubs of activity and connectivity in various regions. Major ports, bustling with traders from across the archipelago and around the globe, emerged as centers of economic growth and civilization development. At the heart of this vibrant maritime history lies a deep-seated maritime culture that permeates the lives of many Indonesians, especially those engaged in maritime and marine sectors. Coastal communities and fishermen, in particular, harbor a wealth of local wisdom in managing and utilizing marine resources, a tradition that has sustained their livelihoods for generations. The Pinisi boat is a timeless testament to Indonesia's rich maritime heritage, embodying the spirit and knowledge passed down through generations in the marine sector.

Despite its vast, some of marine sectors remain underutilized, which has contributed to persistently high poverty rates. especially among coastal communities and fishermen. This underutilization stems from a history of exploitation and illegal activities that target marine resources without any sustainable approach, severely affecting the well-being of small-scale and traditional fishermen in particular. For example, foreign fishermen engaging in illegal fishing not only reduce the income of local fishermen but also become the concern of the nation. This situation is further worsened by marine pollution, alongside damage to vital ecosystems such as mangroves and coral reefs, which intensify the challenges faced by the marine sector. It is evident that a holistic approach to managing and protecting these valuable resources is essential to reverse the current trend and foster improved welfare and prosperity for these communities.

In addition to economic and environmental challenges, Indonesia faces security and political issues in the marine sectors. As a country situated between two continents and two oceans, Indonesia is vulnerable from a maritime security perspective, whether it's local, national, or international maritime security. Piracy in Indonesian waters is still prevalent, with attacks occurring against both Indonesian and foreign vessels. Problems with Indonesia's outermost islands, which have historically received less government attention, also raise political tensions. For instance, overlapping claims to ownership of several border islands by neighboring countries have created political tensions. The lack of qualified human resources, weak law enforcement, and limited maritime and marine

infrastructure add complexity to these issues. Thus, to navigate these multi-faceted difficulties, a comprehensive approach that addresses each of these aspects is imperative.

There are four main problems in the context of Indonesia's position as an archipelagic state:

1. Indonesia has not yet established a comprehensive national policy for integrated archipelagic state development. Existing policies have been primarily sectoral, despite high inter-sectoral connections in archipelagic state development.
2. There is a lack of understanding and awareness regarding the significance and meaning of Indonesia as an archipelagic state in terms of geography, politics, economics, social issues, and culture.
3. The country has yet to set its maritime boundaries in stone, while the deep waters within these boundaries are considered Indonesia's absolute sovereignty. This means no foreign vessels should be allowed to enter Indonesia's deep waters without permission.
4. Weaknesses in Indonesia's maritime defense, including:
    a. Inadequate maritime defense and security in safeguarding national integrity.
    b. Threats from foreign powers seeking to exploit Indonesia's EEZ.
    c. Underdeveloped legal frameworks for implementing maritime defense and security.
    d. Insufficient infrastructure to maintain maritime security.

e. The rising incidents of terrorism, piracy, and illegal fishing in Indonesian waters.
f. Weak law enforcement against maritime regulations violators.

Recognizing the complexity of addressing the prevailing issues in the maritime sectors, it is evident that substantial change is necessary. The current momentum offers an opportunity for this transformation, aligning well with the government's dedicated commitment to fostering comprehensive and sustainable development in these sectors. Consequently, conducting a thorough analysis of the maritime and marine sectors becomes an essential step towards facilitating this growth. This analysis aims to generate informed recommendations that can effectively address the challenges plaguing these sectors, thereby serving as a valuable reference for policymakers in their strategic planning and decision-making processes.

Methods and Data Analysis

This analysis primarily relies on secondary data obtained from relevant government authorities. These agencies include the National Development Planning Agency (Bappenas), the Coordinating Ministry for Economic Affairs, Statistics Indonesia, the Coordinating Ministry for Maritime Affairs, and the Ministry of Transportation. The data consists of sectoral national and regional policy documents, the National Long-Term Development Plan (RPJPN), the National Medium-Term Development Plan (RPJMN), the latest National Spatial Plan (RTRWN), and other relevant literature.

Primary resources, including scholarly books, internet sources pertinent to the analysis, and other relevant literature, have been employed to supplement this secondary data. The data collection technique hinges mainly on an extensive literature review, wherein a broad array of theoretical and conceptual data has been aggregated from scientific and reference books, as well as research documents and internet resources that serve as references for this study. Utilizing the SWOT analysis method, a widely recognized tool in business evaluation for developing optimal strategies based on strengths, weaknesses, opportunities, and threats, this analysis aims to discover the most effective strategies to implement (Rangkuti, 2004). This method is renowned for offering a straightforward way to evaluate the efficacy of a strategy.

In policy studies, the research aims to foster national development, allowing ordinary citizens to work extraordinarily and making the country extraordinary. Therefore, the research methodology seeks to unveil convincing solutions to existing problems, particularly emphasizing the critical aspect of policy implementation. An analytical approach that surpasses numerical analysis is imperative to provide insights for national growth and transformation.

Thinking Model

The future of Indonesia's maritime sector is envisioned as the mainstream of national development, utilizing the ecosystem of marine waters and all the resources within it sustainably for the

unity and prosperity of the nation. This aspiration is determined into six goals as follows:

1. Achieving affordable, easy, simple, and competitive maritime transport.
2. Enhancing marine transport connectivity.
3. Providing competitive maritime port infrastructure.
4. Increasing compliance with regulations related to maritime safety, security, and environmental protection.
5. Enhancing the effectiveness of maritime law enforcement.
6. Enhancing integration in organizational management.

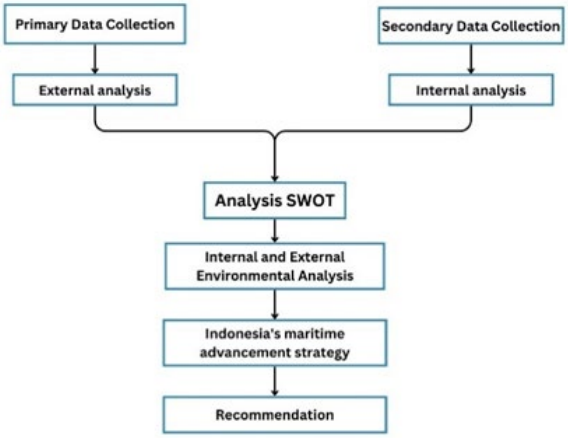


Figure. 1

The internal analysis results in strengths and weaknesses, while the external analysis will yield opportunities and threats. Then, the results of the SWOT analysis will provide an overview of maritime development strategies. The framework of this study is presented in Figure 1.

Indonesian Maritime Economic Conditions

As the largest archipelagic and maritime nation in the world, with its maritime territory including the Exclusive Economic Zone (EEZ) spanning 5.8 million square kilometers, covering 75 percent of its total area, consisting of 17,504 islands (with only 13,466 officially named and registered with the United Nations), and being surrounded by a coastline of 95,181 kilometers (second only to Canada), Indonesia's achievements in maritime development still fall far short of its potential, meaning it is far from optimal (Dahuri, 2014).

It is widely recognized that Indonesia's extensive marine area, which accounts for approximately 70% of its total territory, still needs to be utilized. For instance, (a) the potential of fisheries has not been fully realized, with an annual allowable catch of 7.94 million tons and the continued presence of illegal foreign fishing vessels in Indonesian waters; (b) the potential for marine mining resources is vast but lacks sufficient regulatory frameworks for exploitation; (c) the potential for biodiversity in terms of bioprospecting and marine tourism has not been fully optimized; (d) the potential of the sea as a means of transportation has not been fully utilized for connectivity; and (e) coastal and small island communities continue to face poverty, lack of access to essential services and needs, and economic opportunities (Kusumastanto, 2013).

The contribution of the maritime-based economy to the national economy has experienced growth. However, it remains below the growth rate of the overall national economy, which has ranged between 4.63% and 6.49% in the last decade. With a GDP of over IDR 8.241 trillion, Indonesia plays a significant role in the global economy; however, the maritime-based economy's contribution only amounts to approximately 22.42% (Kusumastanto, 2013).

The maritime economy's role in Indonesia's economic structure has yet to develop as well as expected, considering Indonesia's potential as the world's largest archipelagic nation. This underdevelopment is attributed to national policies that need to sufficiently support the development of the maritime economy, resulting in Indonesia's economic structure being more land-based. Among the indicators demonstrating the underdevelopment of the maritime economy are low investments that have slowed the growth of the maritime-based economy. Indonesia's economic structure is dominated by the mining and energy sector at 9.13%, followed by the maritime industry at 4.67%, fisheries at 2.79%, maritime tourism at 1.52%, marine transport at 1.48%, maritime services at 1.32%, and maritime construction at 1.01%.

Strengths and Weaknesses of the Indonesian Maritime Sector

Under the leadership of President Jokowi, Indonesia aims to become a Global Maritime Fulcrum. To achieve this, Indonesia must have strengths in various maritime areas, such as robust financial and regulatory systems in maritime affairs like the United Kingdom, Sea Lines of Communication (SLOC) like the United States, South Korea with a global shipbuilding industry, Denmark with global container ship capacity through the Maersk Group, and Singapore as the world's largest port operator (BAPPENAS, 2015).

Therefore, becoming a global maritime fulcrum is a significant task for Indonesia. Indonesia is optimizing the utilization of marine natural resources through various infrastructure improvements and regulatory enhancements. Indonesia's abundant marine wealth can become an economic powerhouse in areas such as fish, oil, pearls, and even underwater tourism. The full potential of these maritime economic opportunities can be realized through effective collaboration with competent stakeholders in their respective fields.

At the crossroads of global trade, Indonesia benefits greatly from industries that require access to Indonesian waters. Hence, President Jokowi introduced the concepts of "Maritime Fulcrum" and The Maritime Highway to address various maritime challenges and opportunities (*Forum Rektor Indonesia*, 2015). The development of The Maritime Highway, infrastructure improvements at several ports, and regulatory enhancements to facilitate the distribution of goods at ports are examples of the

Indonesian government's commitment to establishing Indonesia as a global maritime fulcrum.

A. Strengths
   1) Favorable geographic location, physical features, and vast territorial waters.
   2) Stable political environment.
   3) Steady economic growth.
   4) Abundant marine natural resources.
   5) Demographic bonus.
   6) Maritime-oriented government policies.
   7) Non-aligned political stance.
   8) Maritime history and cultural heritage.

B. Weaknesses
   1) Overlapping policies within the maritime sector.
   2) High unemployment and social inequality in coastal regions.
   3) Majority of marine natural resources managed by foreign entities.
   4) Uneven development progress.
   5) Illegal fees, abuse of power, corruption within the maritime sector.
   6) Vulnerable maritime information systems to cyberattacks.
   7) Limited maritime technology.

Threats and Opportunities in the Indonesian Maritime Sector

Mapping the opportunities and threats in the Indonesian maritime sector includes recognizing the potential of Indonesia's coastal and marine areas. These areas are rich and diverse, encompassing renewable natural resources (such as fisheries, coral reefs, mangroves, seaweed, and biotechnology products), non-renewable natural resources (such as oil and gas, tin, iron ore, bauxite, and other minerals), marine energy (such as tidal, wave, wind, and Ocean Thermal Energy Conversion), and environmental marine services for marine tourism, marine transport, biodiversity, and germplasm.

As for threats, they can be both internal and external. Internally, there is inequality, especially in eastern Indonesia, with slow growth, hindered infrastructure development, poverty, and other issues. Externally, threats include border disputes between Indonesia and Malaysia, Indonesia and the Philippines, Indonesia and Singapore, and Indonesia and the People's Republic of China. Additionally, there needs to be more law enforcement and security oversight in border regions.

A. Opportunities
    1) Indonesia has the opportunity to become the world's largest maritime nation.
    2) Becoming a new hegemon in the Asia-Pacific.
    3) Economic growth driven by increased maritime trade.
    4) Increased national budget allocation for the Indonesian Navy and other stakeholders.
    5) A large market due to the demographic bonus.

6) Collaboration for technology transfer with other maritime industry countries.
7) Utilizing marine natural resources for the welfare of the population.
8) Growing maritime awareness.
9) Participation in global maritime policies as a member of the International Maritime Organization (IMO).

B. Threats
1) Piracy.
2) Human trafficking and illegal immigration.
3) Drug trafficking, smuggling, and military technology.
4) Terrorism threats, both domestic and international.
5) Armed attacks and violations of other countries' sovereignty.
6) Cybersecurity threats.
7) Overfishing and looting of marine resources, illegal fishing.
8) Potential logistics and equipment shift during armed conflicts.
9) Threats related to the loss of natural resources and outer islands.

Advancing Maritime Business Policy

Policy analysis is a theory derived from the best experiences rather than from findings, academic studies, or scientific research. In other words, policy analysis theory is a lay theory, not an academic one.

Therefore, future policy analysis theory development will be increasingly determined by the successes and failures that occur in the public administration environment. The successes and failures of policy analysis are related to its final product: public policy. It is crucial to understand the "space" for public policy itself.

Individual interests, groups, and trends in public policy tend to prioritize the "limited public" over the broader public. From independence until today, Indonesian public policy is still characterized by the pursuit of "limited public interests" rather than those of the wider public. One common observation is that public policy-making often does not involve policy analysis, or if it does, the analysis is highly technical and legal. As a result, public policies formulated often clash with one another and contradict public interests.

The SWOT analysis results indicate that the strategic dynamics of maritime policy construction and realization in Indonesia should encompass not only economic dimensions but also defense and security, the environment, knowledge, and technology, as well as social, cultural, and institutional aspects. Thus, the recommended strategic policies for maritime

development, based on the SWOT analysis, are as follows:

1. Revitalizing existing marine economic sectors, such as capture fisheries, aquaculture, mining and energy, maritime tourism, marine transport, and maritime industry and services. This revitalization aims to enhance productivity, efficiency, competitiveness, inclusiveness, and sustainability of these maritime economic sectors.
2. Developing new marine economic sectors, including marine biotechnology industry, deep-sea water industry, offshore aquaculture, renewable marine energy (tidal, wave, biofuels from marine algae, and OTEC), and other unconventional marine resources. The development of innovative and environmentally friendly economic growth centers.
3. The strategic policy to develop new economic growth centers based on innovative and environmentally friendly industries should focus on coastal regions along the Indonesian Archipelagic Sea Lane (ALKI), small islands, and border regions to increase Indonesia's role as a producer and supplier of goods and products in the global supply chain system.
4. Strengthening and developing The Maritime Highway, which involves the development of passenger and cargo shipping fleets, shipbuilding and ship repair industries, and port infrastructure.
5. Developing an e-logistics system that facilitates data and information exchange among all logistics stakeholders, as well as enhancing efficient multimodal and intermodal transportation.

Conclusion

Based on the discussions and analysis, the conclusions can be drawn as follow:

1. The potential of Indonesia's maritime sector is vast but has not been optimally utilized.
2. The government has established various development policies for the maritime sector, but there is a lack of consistency and prioritization in implementing these programs.
3. As a country with a growing economy, Indonesia's progress increasingly depends on maritime trade and energy availability.
4. The exploitation of marine and underwater resources and the development of a robust maritime industry are priorities for regional investment development.
5. The maritime development, emphasizing strategic issues or strategic environmental dynamics, is essential, making the concept of Indonesian maritime development beneficial at the national, regional, and international levels.
6. Developing the maritime economy in coastal villages must involve all stakeholders.

Further, several key policies are recommended to develop Indonesia’s maritime business:

1. Policies to achieve affordable, simple, and competitive marine transportation.

2. Policies to enhance marine transportation connectivity.
3. Policies to provide competitive port infrastructure.
4. Policies to improve compliance with maritime safety, security, and environmental regulations.
5. Policies to enhance law enforcement effectiveness in maritime areas.
6. Policies to improve integration in organizational management.

MARINE TRANSPORTATION POLICY FRAMEWORK FOR THE NEXT 5 YEARS

The realization of cheap, simple, and competitive sea transportation

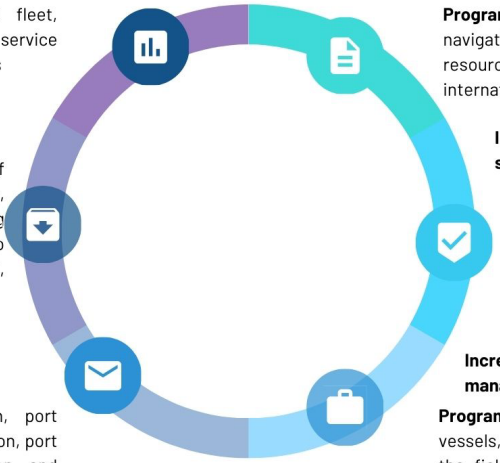
Program: Development of the national fleet, improvement of the domestic sea freight service system and increase in overseas freight loads

Improved sea transportation connectivity

Program: Increasing the effectiveness of pioneering, sea tolls, livestock transportation, and Pelra. Structuring the domestic shipping network, providing sea transportation to support tourism, 3TP areas, SEZs, KI, SKPT, and IKN.

Improved sea transportation connectivity

Program: Continued port construction, port development, PN support, P3D implementation, port standards compliance, port modernization and loading and unloading efficiency



Improved Compliance with Maritime Safety, Security and Environmental Protection Regulations

Program: Strengthening infrastructure and improving navigational services Institutional and human resource strengthening and implementation of international regulations

Increased effectiveness of law enforcement at sea

Program: Fulfilling the needs and reliability of patrol vessels, increasing the fulfillment of human resources in the field of PLP, increasing the number of ships and faspels that have ISPS Code certification and strengthening KPLP institutions.

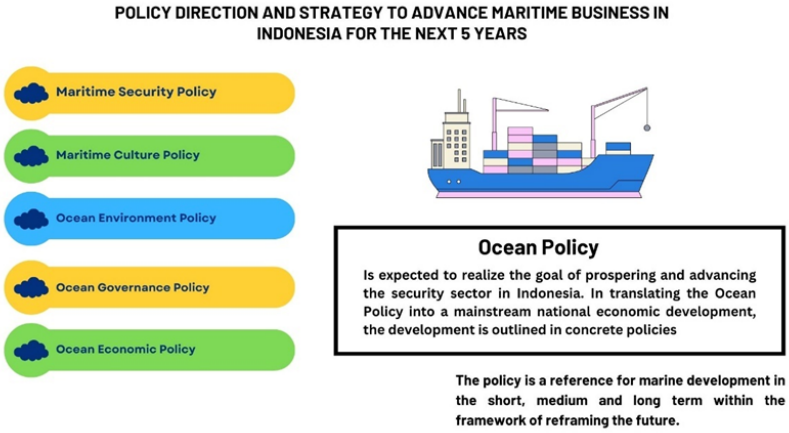
Increased integration in organizational management

Program: Fulfilling the needs and reliability of patrol vessels, increasing the fulfillment of human resources in the field of PLP, increasing the number of ships and faspels that have ISPS Code certification and strengthening KPLP institutions.

Furthermore, it is recommended to establish a National Maritime Policy. The policy aims to achieve the goal of becoming a prosperous maritime nation through the following policies:

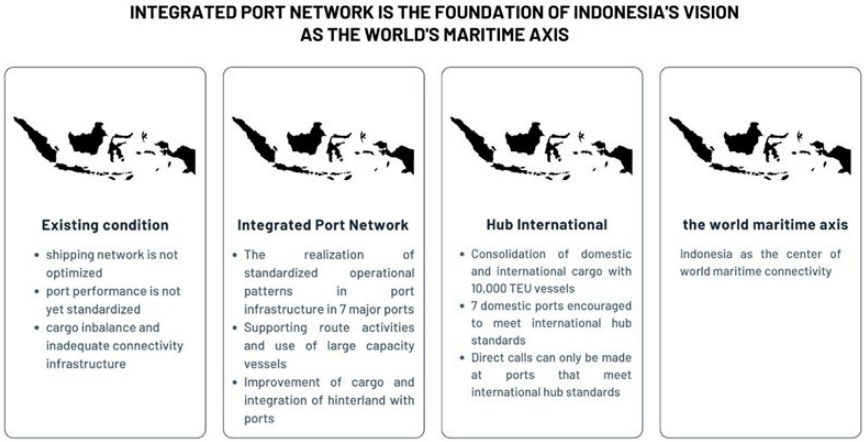
1. Ocean Economic Policy
   This policy focuses on the economic aspects of maritime development, emphasizing the sustainable and efficient use of marine resources to boost the national economy.
2. Ocean Governance Policy
   This policy addresses the governance and management of maritime activities, ensuring responsible and equitable practices in maritime affairs.
3. Ocean Environment Policy
   This policy is dedicated to the protection and conservation of marine environments, promoting sustainable practices, and safeguarding marine ecosystems.
4. Maritime Culture Policy
   This policy aims to develop and promote maritime culture, heritage, and traditions, fostering a sense of maritime identity among the population.
5. Maritime Security Policy
   Ensuring the safety and security of maritime activities, this policy deals with issues related to maritime defense, law enforcement, and safeguarding national interests at sea.

These five pillars must be elaborated into actionable development programs for the maritime sector, covering both short-term and long-term goals. This holistic approach allows for synergies between all sectors related to national development, whether they utilize terrestrial, marine, or aerial resources. It emphasizes the need to strengthen the institutions responsible for maritime affairs, such as the Ministry of Maritime Affairs and Fisheries, and coordinate effectively with other relevant ministries. This integrated approach will lead to the optimal utilization of national wealth resources in support of national economic growth and the welfare of the Indonesian people.



As a strategic action plan for the Ministry of Transportation in the next five years, developing and consolidating the Integrated Port Network (IPN) is recommended. IPN embodies Indonesia's vision as a Global Maritime Fulcrum, starting from seven main hubs by integrating ports, shipping,

and industries. IPN can contribute to a 1.6% reduction in logistics costs relative to GDP (increasing efficiency by IDR 765 trillion over 5 years). IPN can also boost direct calls by approximately 70%, eliminating the need for transshipment in Singapore. Implementing IPN requires formal legal policies; the necessary form may include a Presidential Regulation.



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CHAPTER 3
MARITIME POLICY AND MARITIME BUSINESS

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Feri Ardiyanto

Introduction

A state is a formal political entity with at least five main components. First, state institutions' components include the Executive, Legislative, and Judicial. In the modern era, these branches can take on three patterns: separation from each other, interrelatedness, or one becoming formally or informally co-opted by the others. Second, the component of the people is named citizens. Citizens differ from non-citizens in that they possess citizenship rights, including political rights, legal rights, economic rights, social rights, cultural rights, communal rights, social rights, individual rights, intellectual rights, and biological rights. The universal language for these rights is human rights. The people develop within the framework of civil society, which acts as a counterbalancing instrument against the state to ensure that the state works to achieve its raison d'être. Forms of citizenship organizations vary widely, ranging from political entities like political parties economic entities such as businesses, to social entities in the form of formal and non-formal associations. Third, there is the recognized territory. Today, we still understand territory as a tangible physical area. Except for Palestine, countries have recognized physical geographical boundaries accepted by neighboring countries and the United Nations. In the future, virtual nations with virtual territories may develop.

Fourth, there is the component of public policy. Every modern state undoubtedly has a constitution, legislative regulations, and policy decisions that serve as rules for collective living. A state without this fourth component is considered a failed state, as collective life is controlled by one person or a group of individuals who operate like tyrants to satisfy their interests or those of their group. Public policy is an essential component often overlooked by political scientists. It includes "governance," which regulates interactions among states or citizens. In this dimension, we begin to understand the significance of public policy in the macro context of a state. Every state, particularly the government as the holder of power, aims to control its citizens.

Public policy is the domain of the state or government or the authority of state holders. Therefore, public policy is the factual form of each government's efforts to manage collective life, referred to as "the state" and "the nation." Public policy ultimately represents the tangible form of a nation-state's ideology. Ideology is the political belief of a political entity called an independent and sovereign state. Ideology is translated into national politics, regardless of its form, be it democracy or non-democracy. The product of ideology and politics is public policy. When ideology ends, politics begins. When politics ends, public policy begins. Therefore, public policy should involve experts in public policy, particularly policy analysts. They are the ones who ultimately facilitate and ferment the development of superior public policies. The excellence of each nation will be reflected in its number of policy analysts.

One of the urgent policy agendas for the Minister of Transportation in advancing maritime business is to promote Indonesian logistics through supply chain and blockchain methods. In my opinion, the logistics situation in Indonesia is still filling other Asian countries, such as Singapore and Malaysia. Indonesia still has significant potential for logistics development. With the advancement of information and technology, Indonesia must adapt quickly to avoid falling behind other countries and becoming mere spectators in the development of logistics in the era of Industrial Revolution 4.0. Achieving this requires many adjustments and cooperation in maritime policy among stakeholders from the central to the regional levels. In applying maritime policy, the government should focus on maritime policies and encourage foreign investors to participate in domestic maritime efforts. In this millennial era, the development of maritime leadership requires at least the following:

1. Effective and positive leadership.
2. Increased investment in the maritime sector for maritime development.
3. Transparency in the public sector to reduce overlapping authorities that result in a high-cost economy for entrepreneurs.
4. Integrated one-stop service policies to establish maritime policies and integrated services under one roof.

Compared to Singapore and Malaysia, Indonesia is relatively far behind in modernizing maritime sectors, including maritime affairs. This is due to a development paradigm that focuses more on land-based development and the lack of comprehensive legislation that regulates the integration of various sector interests in maritime areas.

Maritime development is a form of development that provides guidance for the utilization of maritime resources to achieve economic growth, equitable prosperity, and the preservation of the supporting ecosystems of coastal and marine areas, which is expected to be carried out in an integrated manner to boost the economy. The weakness of public services (such as government regulations in various departments that still overlap) related to the maritime sector will also contribute to the worsening of Indonesia's economy.

From Land-Based Oriented to Maritime-Based Oriented

The loss of maritime development orientation in Indonesia became more pronounced during the era of the New Order. During that time, the President shifted the policy direction from being maritime-based oriented to land-based oriented. Since then, the development policy was altered from a maritime-based orientation to a land-based one, even though Indonesia, as an archipelagic nation, should have adhered to a maritime vision. This aligns with President Soekarno's statement at the National Maritime Convention (NMC) in 1963:

> "To build Indonesia into a great, strong, prosperous, and peaceful nation, which is a national building for Indonesia, a country can become strong if it can control the seas."

Therefore, the government must now build an economic development paradigm that is entirely based on maritime development. Maritime expert Dietrich G. Bengen from the Bogor Agricultural Institute (IPB) stated, "Indonesia must return to its history. Indonesia has not yet achieved maritime greatness because the country has denied its history." As an archipelagic nation, the sea comprises the largest part. We must nurture a maritime-capable nation. There is a momentum for Indonesia to become a maritime nation. The Reform Era is the most suitable moment to return to the nation's maritime history. One of the failures of land-based development-oriented paradigms that Indonesia has followed for the past 76 years since independence can be seen in the high levels of unemployment and poverty in the country.

Cabotage Principle: Subduing Foreign Ship Dominance

The birth of the cabotage principle is based on Presidential Instruction Number 5 of 2005 concerning the Empowerment of the National Shipping Industry and Law Number 17 of 2008 concerning Shipping. The key policies include:

a. Domestic shipping activities must be carried out by i) national shipping companies; ii) using Indonesian-flagged vessels; iii) crewed by Indonesian nationals.

b. Foreign ships are prohibited from carrying passengers and/or goods to any island or port in Indonesian waters.
c. Foreign ships currently serving domestic shipping activities can continue their activities for a maximum of three years from the enactment of this law.
d. Any person operating a foreign ship to transport passengers and/or goods to any island or port in Indonesian waters shall be punished with imprisonment for up to five years and a fine of up to IDR 600,000,000 (six hundred million Rupiah).

Implementing the cabotage principle marks a turning point towards the independence of the national shipping industry. The high market share of foreign-flagged vessels had become a challenge and an opportunity that had to be seriously addressed by all stakeholders, from the central to the regional level, to create an integrated ecosystem to increase revenue from the maritime sector, especially its logistics.

The cabotage principal approach, as stipulated in Presidential Instruction No. 5/2005, requires all domestic maritime cargo to be carried by Indonesian-flagged vessels crewed by Indonesian nationals. The national fleet experienced an increase, from 6,041 units in 2005 to 24,046 units in 2016, consisting of general and special maritime transport. However, this surge did not result from an increase in domestic shipbuilding but rather from the enforcement of the cabotage principle, which compelled foreign-flagged vessels to change their flags to Indonesian flags.

The implementation of the cabotage principle has had a significant impact on the national shipping industry. Data shows that the national shipping industry has grown during the application of this principle. The number of national shipping companies and vessels has increased, allowing national shipping companies to control all cargo handling at ports. With the implementation of this principle, it can be further developed to adapt to the information and technology developments in the Industrial Revolution 4.0 era, which is based on digitization through supply chain and blockchain.

Supply Chain Approach

According to the World Bank, Supply Chain 4.0 is the reorganization of the supply chain, design and planning, production, distribution, consumption, and reverse logistics using technologies known as Industrial Revolution 4.0. In Indonesia, the Ministry of Industry views the transformation of the supply chain with the 4.0 platform as beneficial for industrial efficiency, including the maritime industry. This system provides data security and ease of use since everything is already digitized and integrated. The presence of Industrial Revolution 4.0 benefits not only profit-oriented companies but also non-profit organizations. Digitization disrupts business models across various industries, including the real sector, banking, tourism, retail, and even the space industry.

Utilizing Blockchain

Blockchain is like a leader technology that records every transaction in one block, where each block is connected to other blocks (transactions) that occurred before and after a transaction, forming a chain that links between blocks. This process uses cryptography technology originally applied in the Bitcoin system. Thus, with blockchain, all transactions are digitized, eliminating the need for conventional face-to-face transactions that can add time to the process. Moreover, data security is a concern in manual exchanges.

The application of blockchain in a financial system is digital currency, an alternative to conventional currency. Further, Blockchain is expected to accelerate the dynamics of Industrial Revolution 4.0 and transform the role of every level in the supply chain from linear to circular. Thus, the benefits of blockchain in the supply chain can be observed as follows:

1. Enhancing data transparency for collaborating companies within a supply chain.
2. Strengthening the resilience of a supply chain system, with all parties immediately aware and able to strategize for mutual benefit.
3. Monitoring and strengthening the performance of suppliers, outsourcing, vertical integration, and horizontal integration.
4. Reducing the bullwhip effect.
5. Conducting tracebacks to ensure product safety for consumers.

6. Supporting real-time data analysis and even processing big data related to price elasticity.

Logistics Policy

The need for integrated infrastructure in regions and a reliable logistics system is to achieve a locally integrated, globally connected logistics system to enhance national competitiveness and the welfare of the people. By 2025, it is expected that all logistics activities in Indonesia, from rural to urban areas, and inter-regionally as well as inter-island, can operate effectively and efficiently, forming a nationally integrated unit within the national territory.

Efforts to improve regulations governing logistics are necessary to minimize sectoral ego conflicts among relevant institutions and ministries and between regions in strengthening integrated economic zones. Therefore, stakeholder synergy is needed to align visions and missions to prevent overlapping authorities. This ensures that the efficiency and effectiveness required for domestic, regional, and global connectivity will be realized. This is in line with the principle of *lex superior derogate inferiori*.

National logistics policies framework including:

1. Law No. 17 of 2007 on the National Long-Term Development Plan (RPJPN), which includes logistics provisions as a primary pillar and the main driver of national economic and development goals.

2. Law No. 23 of 2014 on Regional Governments.
3. Presidential Regulation No. 32 of 2011 on the Masterplan for the Acceleration and Expansion of Indonesian Economic Development (MP3EI) 2011-2025, which established the Committee for the Acceleration and Expansion of Indonesian Economic Development 2011-2025 (KP3EI).
4. Presidential Regulation No. 26 of 2012 on the Blueprint for the Development of the National Logistics System (Sislognas).
5. Presidential Regulation No. 48 of 2011 amending Presidential Regulation No. 32 of 2011 on the Masterplan for the Acceleration and Expansion of Indonesian Economic Development (MP3EI) 2011-2025, which established the Committee for the Acceleration and Expansion of Indonesian Economic Development 2011-2025 (KP3EI).
6. Masterplan on ASEAN Connectivity (MPAC) 2010-2025, aimed at building transportation and infrastructure connectivity among Southeast Asian countries to realize the ASEAN Economic Community (AEC) and regional economic integration.
7. Presidential Regulation No. 71 of 2015 on the Determination and Stockpiling of Basic Necessities and Essential Goods.
8. Minister of Trade Regulation No. 2 of 2019 on Guidelines for the Development and Management of Trade Facilities, including the establishment of a National Distribution Center to balance the supply chain, stabilize prices, and ensure the availability of essential goods.

9. Presidential Regulation No. 44 of 2018 on the Indonesia Single Window (INSW), managed by the Coordinating Ministry for Economic Affairs. The INSW system synergizes the National Single Window (LNSW), the National Disaster Management Agency (BNPB), the Directorate of Customs and Excise (DCBJ), the Ministry of Health (*Kemenkes*), and the Food and Drug Agency (Badan POM) in managing import and export activities.
10. The Custom Excise Information System and Automation (CEISA), managed by the Ministry of Finance through the Directorate General of Customs and Excise (DJBC), is a service and supervision system for all ports in Indonesia that is integrated.
11. Presidential Instruction No. 5 of 2020 on the National Logistics Ecosystem as an implementation of the Sislognas blueprint and a realization of e-logistics, encompassing all logistics activities in Indonesia.

Indonesia's Logistics Performance

Logistics can be defined as the servant of development in the context of overall development, where its existence is a prerequisite for the growth and development of the economy. The system formed by national logistics consists of facilities connected with service activities from upstream to downstream, aimed at synchronizing and aligning progress between economic sectors and regions to achieve inclusive economic growth. It also serves as a stronghold for national economic sovereignty and resilience and a large market in the global

supply chain, contributing to Indonesia's strength as a demand-side player.

Efforts to integrate Indonesia's archipelagic regions present challenges for smooth logistics distribution. Therefore, suitable space and accurate mapping are needed to create an integrated national logistics ecosystem. The Sislognas network can be seen in the following diagram:

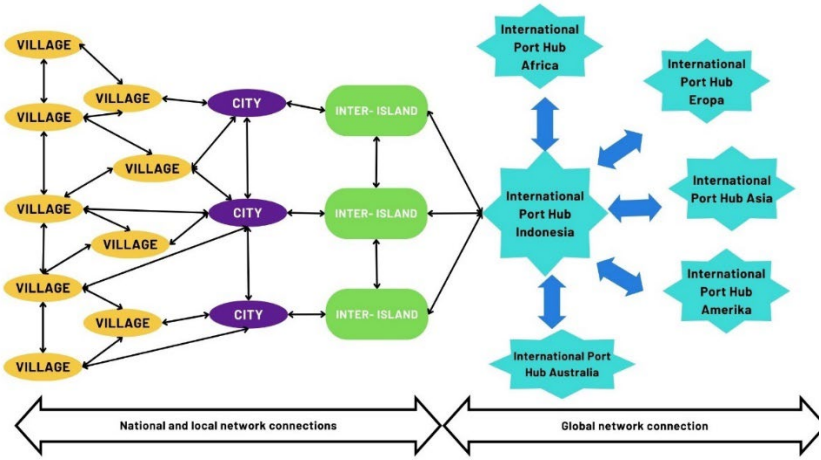

Figure 1. National logistics system network
Source: (attachment to Presidential Regulation No.26 Year 2012)

While the funding to establish a national logistics ecosystem is available, the logistics systems remain fragmented and lack integration. The government has initiated the Indonesian National Single Window (ISNW), managed by the Coordinating Ministry for Economic Affairs, and the Custom Excise Information System and Automation (CEISA), managed by the Ministry of Finance through the Directorate General of Customs

and Excise (DJBC). Meanwhile, private sector players have implemented digitalization in their logistics systems. Therefore, the government must also innovate and digitalize its logistics systems.

Integrating the entire logistics network into a single ecosystem will streamline logistics processes, enhance monitoring, and reduce costs. For instance, implementing a digital Delivery Order (DO) system for import and export activities in Indonesian ports can improve logistics efficiency, accelerate the flow of goods, and reduce dwelling time at ports.

Innovations like "Digital DO online" can boost Indonesia's Logistics Performance Index (LPI), which is currently relatively high compared to neighboring countries, thus enhancing Indonesia's competitiveness in global trade. Therefore, strengthening Indonesia's logistics is a continuous and sustainable necessity. The enhancement of the logistics ecosystem for advanced economies can be clustered into the following areas:

1. Policy Synchronization and Harmonization: Ensure that logistics policies are synchronized and harmonized across sectors and regions to prevent overlapping responsibilities and streamline logistics activities.
2. Bureaucracy Simplification and Authority: Simplify bureaucratic processes and delineate clear responsibilities and authorities for each sector and region to avoid conflicts with sectoral laws and regulations.

3. Spatial Planning and Zones: Harmonize spatial planning and zoning to support logistics infrastructure development.
4. Logistics Investment Financing: Establish mechanisms for financing logistics infrastructure and development.

Ease of Doing Business and Support for Cooperatives and SMEs: Provide support for cooperatives and small and medium-sized enterprises (SMEs) to participate in the logistics ecosystem and ensure ease of doing business.

The existing national logistics regulations are currently outlined in Presidential Regulations. However, these regulations delegate authority across sectors and regions, which can hinder coordination, particularly when conflicts arise with sectoral laws and regulations or those of regional governments. Therefore, it is necessary to develop derivative rules that provide detailed explanations of tasks and authorities at the sectoral and regional levels. Given this context, an evaluation and reengineering of the existing systems is essential, especially in the post-pandemic economic slowdown and amid the ongoing transition to the "new normal" in Indonesia. In the transportation sector, it is recommended to propose changes and harmonization of policies through amendments to four laws:

1. Law No. 22/2009 on Road Traffic and Transportation
2. Law No. 23/2017 on Railways
3. Law No. 17/2008 on Shipping
4. Law No. 1/2009 on Aviation

The issuance of Presidential Instruction No. 5 of 2020 regarding the Arrangement of the National Logistics Ecosystem (Ekologinas) is seen as insufficient to integrate the commitments according to the effectiveness of the regulations or institutions established previously. This is because there is a similarity in the design and legal construction of the Ekologinas policy with previous regulations, namely Presidential Regulation 26/2012, Presidential Regulation 48/2014, and Presidential Regulation 74/2017. All three of these regulations have similarities in the urgency of placing integrated information and communication technology (ICT) as a significant catalyst for economic activity.

Regulation development should not only provide legal certainty and efficiency in achieving the best economic value but also ensure justice within the framework of the Unitary State of the Republic of Indonesia (NKRI). Considering the logistics activity structure, which includes procurement, production, warehousing, distribution, transportation, and delivery from origin to destination, institutional synergy between sectoral and regional logistics institutions plays a crucial role and should be reformulated. From the perspective of logistics actors, logistics institutions include consumers, logistics players (producers, distributors, logistics service providers such as transporters, freight forwarders, shipping liners, and others), logistics supporters (associations, consultants, educational and training institutions, and research agencies), and the government as regulator, facilitator, and integrator.

The goal of strengthening Indonesia's logistics is to encourage the integration of logistics networks through the optimization of distribution, transportation, information, and financial networks. The integration of logistics networks, whether in distribution, transportation, information, or finance, cannot stand alone. There must be synchronization and harmonization with spatial planning concepts and the establishment of zones to reinforce each other.

Conclusion: Leveraging Integrated Digital Technology in the National Logistics Ecosystem

Presidential Instruction No. 5 of 2020 regarding the arrangement of the national logistics ecosystem (National Logistic Ecosystem-NLE) is a positive step in implementing rules for single submission and integrated customs and quarantine inspections for imported goods with the aim of expediting inspection processes and reducing unnecessary costs. However, there are still challenges, particularly in terms of the dissemination of these rules, especially among business stakeholders such as the All-Indonesia National Importers Association (GINSI).

This system focuses on cooperation between government agencies and the private sector through data exchange, process simplification, elimination of redundancies, and is based on information technology that encompasses all aspects of logistics and connects existing logistics system networks. The government should address this with the following steps:

1. Encourage government agencies, especially those involved in exports and imports, to develop internal systems through public service automation, standardization of data elements for international data exchange, and harmonization of business processes with other agencies to provide ease and certainty for business.
2. Encourage all government agencies to enter into service agreements with businesses through the establishment of service level agreements (SLAs) to enhance service quality and certainty.
3. Ensure transparency throughout the service process by providing tracking and tracing facilities.

Thus, the use of integrated digital technology will efficiently enhance connectivity within every node and link in the national logistics system. This will support inclusive economic growth, strengthen national competitiveness, and sustainably promote the development of Indonesia's logistics ecosystem.

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CHAPTER 4:
POLICY AGENDA FOR ADVANCING MARITIME BUSINESS

CHAPTER 4:
POLICY AGENDA FOR ADVANCING MARITIME BUSINESS

Rufiajid Navy Abritia

Introduction

Indonesia's geographical conditions, with a vast expanse of its territory consisting of the sea, necessitate strengthening maritime infrastructure and facilities for distributing goods and marine transport. The development of maritime connectivity is pursued to enhance competitiveness and ensure the availability of products the population needs (Adam, 2015). The strategic direction for the development of the marine transport sector is to provide safe, smooth, comfortable, and environmentally conscious marine transport services for the archipelagic community and build the strength of the national transportation fleet to capture market share in both national and international marine transport.

In advancing maritime business, it is essential to consider the strategic environmental developments, including the economic environment, at regional, national, and global levels. Focusing on the development of the maritime sector requires adequate analysis of the dynamics of the strategic environment. Such analysis is crucial because maritime business may seem directionless and superficial without a well-mapped strategy based on the environment it faces. Therefore, policies and strategies need to be formulated to advance maritime business.

Strategic planning involves a planning document for an organization or institution that sets out strategies or directions and is used as a basis for making decisions regarding allocating resources, including capital and human resources, to achieve desired goals (Silitonga, 2019). Strategic planning significantly benefits public sector organizations, making them more effective in their actions. With a strategic plan, an organization can prepare the best course of action to achieve its goals.

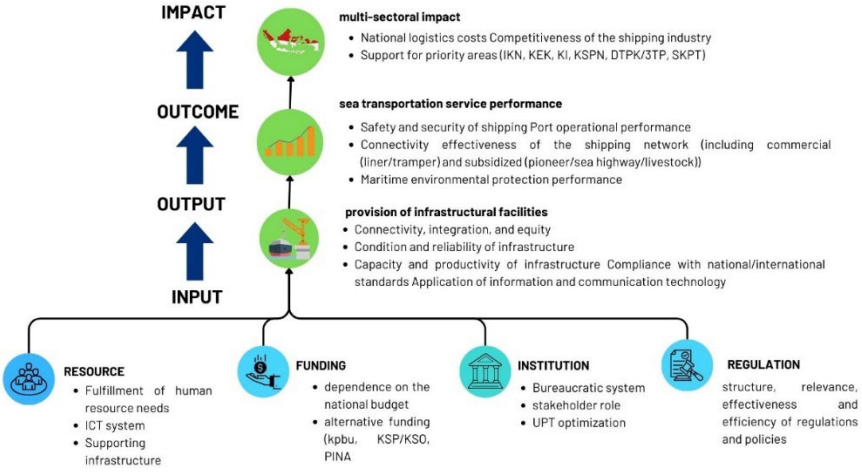
Policy analysts are responsible for preparing "policy recommendations" for policy formulation and can be further involved in policy formulation (Nugroho, 2017). Hence, policy analysts can play a role in teams that draft public policies, whether in academic drafts or legislative provisions. Meanwhile, regarding technical and procedural aspects, the development of policies and strategies is guided by Ministerial Regulation (Permen)PPN/*Bappenas* No. 5 of 2019 on the Procedures for the Preparation of Ministry/Agency Strategic Plans for the Year 2020-2024. The process of policy and strategy determination is carried out in stages, following the documents of the 2020-2024 National Medium-Term Development Plan (RPJMN) established by Presidential Regulation No. 18 of 2020 and the Ministry of Transportation's 2020-2024 Strategic Plan (Renstra) ratified by Ministerial Decree No. 80 of 2020.

Strategic Issues

Meutua (2017) concern to several criteria for policy issues to be included on the policy agenda include:

1. The issue has reached a critical point, making it practically impossible to ignore. It is perceived as a serious threat that, if not addressed promptly, could lead to even more severe crises in the future.
2. The issue has reached a particular level of specificity that can have dramatic impacts.
3. The issue touches on specific emotions from the perspective of the public interest, and it receives extensive media coverage.
4. The issue has wide-ranging impacts.
5. The issue questions authority and legitimacy within society.
6. The issue relates to a fashionable problem that is challenging to explain but easy to sense.

There are several potential problems within each aspect of management in the provision of marine transport, which are strategic issues that need to be addressed within the framework of the Directorate General of Sea Transportation's 2020-2024 Strategic Plan. These strategic problems/issues are closely related to performance and service impact, infrastructure and facility provision, human resources, funding, institutional matters, and regulations. The relationships between strategic issues in each aspect are illustrated in the diagram and elaborated on in the following subsection.



Source: Directorate General of Sea Transportation Strategic Plan 2020-2024

Issues in the Implementation of the 2015-2019 Strategic Plan

Based on the reports on the implementation of the Directorate General of Sea Transportation's 2015-2019 Strategic Plan contained in the LKIP documents for the years 2015 to 2019, Annual Reports, and various related documents, several problems have emerged as obstacles in the execution of activities and the achievement of performance targets for the Directorate General of Sea Transportation in the marine transport sector. These issues are summarized in the following points:

First, the low competitiveness of the national shipping industry. The share of foreign cargo transportation by national vessels is still low, at around 11.23%, below the RPJMN 2015-2019 target of

20%. Additionally, data related to the provision and service of ports in Indonesia, as calculated through the port quality indicator from the World Economic Forum in 2019, ranks 64th globally (with a score of 4.3 on a scale of 7), lagging behind neighboring countries such as Singapore (ranked first globally with a score of 6.5) and Malaysia (ranked 20th with a score of 5.2).

Second, there is a high incidence of ship accidents. Data on ship accidents between 2015 and 2019 show that the proportion of accidents in marine transport due to controllable factors (human, technical, etc.) remains relatively high. As a regulator, the government must enforce safety and security regulations in marine transport more rigorously on industry players and the public. The government should increase surveillance in checking ships, crew documents, and other safety components of marine transport. It should also educate the public about maritime safety to foster a safety culture.

Third, the performance of port services needs to meet targets. According to operational port service performance reports, the on-time performance (Approach Time, Waiting Time, Effective Time/Berth Time) at 100 commercial ports (according to Decree of the Director General No. HK 103/2/18/DJPL-16) and 61 non-operational ports (according to Decree of the Director General No. HK 103/4/7/DJPL-16) reached approximately 95% in 2019. Although this performance relates to services for ships, it does not extend to services for goods, resulting in long dwelling times for import/export services at some major ports (according to the Directorate General of Customs and Excise report, Indonesia's

dwelling time ranking is still at 46, below the initial target of 40). Smooth logistics flow will affect the cost of goods logistics, with faster logistics resulting in lower costs.

Fourth, the adequacy of human resources and safety and security infrastructure for marine transport. The technical human resources for port operations (especially Marine Inspectors) and crew members for national vessels (patrol vessels and navigation ships) still need to be improved. On the other hand, the availability and condition of patrol vessels and navigation ships, the provision of the National Sea and Coastguard Agency (SBNP), Telkomsel (communication systems for sea vessels), navigation routes, and work facilities for technical personnel in the safety and security field have not yet adequately supported surveillance and safety in marine transport.

Fifth, the effectiveness of subsidized sea transportation services. From 2015 to 2019, the Directorate General of Sea Transportation conducted various subsidized sea transportation programs, including public service obligation (PSO) for passenger transportation, the operation of pioneer ships and cattle ships, and The Maritime Highway subsidies. Evaluations of these subsidy programs suggest the need for improved coordination among ministries/agencies and related regions to optimize the benefits of these programs to support economic development in developing areas.

Sixth, there needs to be integrated transportation intermodal support at ports. During the 2015-2019 period, the Directorate General of Sea Transportation built 136 new ports, but providing road access to these ports via national/provincial/district roads remains a challenge. For commercial ports, fewer than 10 ports have direct rail access and operational facilities (Belawan, Teluk Bayur, Panjang, Merak, Tanjung Emas, Tanjung Perak, and Makassar). Meanwhile, road access to several other commercial ports, particularly those located in urban areas, tends to experience congestion due to increased population mobility and traffic to and from the ports.

Policy and Strategies to Advance Maritime Business

The Global Maritime Fulcrum (*Poros Maritim Dunia*) policy initiated by President Joko Widodo (Jokowi) has become a primary focus of national development during his presidency. The Global Maritime Fulcrum policy emphasizes Indonesia's national development based on activities at sea. Indonesia has significant potential to become a global maritime fulcrum, but this potential has not been fully realized to date.

The development of maritime affairs has yet to be integrated strategically with its surrounding environment. Thus, integrated maritime development is needed to support sustainable economic growth and enhance existing maritime potential, including marine transportation, shipbuilding, maintenance industries, port construction, and operation. The National Medium-Term Development Plan (RPJMN) for 2020-2024 (Presidential Regulation No. 18 of 2020) includes 41 Strategic

Priority Projects/Major Projects aimed at making the RPJMN more concrete in addressing development issues, being measurable and beneficial, and directly understandable and felt by the public. These projects are strategically important and have a high leverage potential in achieving priority development targets that impact the maritime business.

Public policy is a strategy to guide society through a transition towards the desired society (Nugroho, 2017). A strategy is a method to achieve a victory or a goal (Zulham & Saragih, 2019). The main goal of marine transport policy is to regulate and ensure an adequate quantity and quality of ships and provide low-cost port facilities. Furthermore, another goal of marine transport policy is to secure and promote maritime trade routes, both domestic and international, to advance maritime businesses, particularly in supporting a range of presidential priorities in the RPJMN 2020-2024 and the focus of the Ministry of Transportation in the Strategic Plan 2020-2024.

Following Article 1 (15) of the Minister of National Development Planning/Bappenas Regulation No. 5 of 2019 on the Procedures for Formulating the Strategic Plans of Ministries/Agencies, policy direction contains one or more programs/policies to achieve the set targets, while strategies contain indications of strategic activities as the implementation of the established policy directions.

Objective : **Enhance marine transport connectivity to support maritime business.**

Policy Direction : Realization of Affordable, Easy, Simple, and Competitive Marine Transport

Implementation :

1. Development of the national fleet and the maritime industry:
   a. Facilitate financing for the development of the national maritime industry.
   b. Enhance the variety, size, and age of the national fleet.
   c. Strengthen supporting maritime industries such as shipyards, marine technology, and marine equipment.
   d. Management of maintenance for state-owned ships.
2. Improvement of domestic maritime transport services e-ticketing and gate-in systems through establishing an Information Management System for Maritime Traffic and Transport.
3. Increase the share of foreign cargo served by Indonesian-flagged vessels (beyond cabotage):
   a. Optimize the implementation of cabotage and beyond cabotage principles.
   b. Increase direct calls from Indonesian ports to various international destinations.
   c. Enhance the frequency and number of ports visited by international core shipping routes.
   d. Development of technical guidelines for international shipping.
   e. Handling cross-border shipping

Policy Direction : Enhance Marine Transportation Connectivity

Implementation :

1. Enhance the effectiveness of vital programs such as Maritime Highway, Livestock ships, Rede ship, and Pelra:

a. Improve coordination among relevant stakeholders (government agencies, regional governments, and private sector).
b. Develop and operate specialized vessels to improve regional accessibility and distribution (Rede/feeder ships for Maritime Highway in Papua).
c. Establish a state vessel management unit.

2. Provide marine transportation and supporting routes for national priority areas:
   a. Implement ship design for tourism and construct ships for tourist destinations.
   b. Ensure the availability of marine transport and supporting routes for tourism

Objective	:	**Improve the performance of marine transport services to support maritime business**
Policy Direction	:	Provision of Competitive Marine Transport Infrastructure
Implementation	:	1. Modernize and optimize cargo handling at ports a. Provide container handling facilities at supporting Maritime Highway ports. b. Automated cargo loading and unloading systems at major ports and transshipment centers. c. Optimize the performance of marine equipment service units. 2. Development of environmentally friendly ports: a. Implement eco-port concepts at several major and transshipment ports, including

the provision of reception facilities, non-fossil fuel-powered cargo handling equipment, and green building practices.

b. Supply B-20 and Low Sulfur Fuel bunker facilities.

c. Enhance sanitation at ports serving cruise ships.

3. Development of Port Information Systems:

a. Develop and implement port information systems.

b. Increase the number of ports implementing INAPORTNET.

c. Digitize port services.

Objective : **Build marine transport infrastructure to support the establishment of a new capital city.**

Policy Direction : Provision of Competitive Marine Transport and Port Infrastructure

Implementation : Conduct studies on supporting marine transport in the new capital city, Nusantara:

a. Study the determination of shipping routes and traffic management.

b. Design environmentally friendly fuel vessels.

c. Subsidize ship operational costs.

d. Develop the Global Maritime Distress Safety System (GMDSS), Vessel Traffic System (VTS), and Navigational Aids (SBNP).

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CHAPTER 5.
ANALYSIS OF THE POLICY AND STRATEGY OF THE MINISTRY OF TRANSPORTATION 2020-2024 IN THE DEVELOPMENT OF MARINE TRANSPORTATION AND THE FIVE-YEAR PLAN (2022-2026)

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Atika Khoirul Umaroh

Introduction

President Joko Widodo has five visions for the development in the years 2020-2024; the development of infrastructure for people's production areas, small industrial zones, special economic zones, tourism areas, rice fields, plantation areas, and fishery ponds, human resource (HR) development, encouraging investment as widely as possible to create job opportunities, streamlining permits, eradicating illegal levies and investment barriers, Bureaucratic Reform and structural reforms to make institutions simpler, more straightforward, more agile, changing mindsets, speeding up service, speeding up permit issuance, institution efficiency, and the use of the state budget that is focused and on target, ensuring that every rupiah from the state budget has economic benefits, benefits the people, and improves community welfare.

The paradigm shift in national development from land-based development to ocean-based development will refer to various public policy products, infrastructure, and integrated financial resources to support maritime and transportation development. The development of the national marine transportation business

cannot be separated from the development of the strategic environment, both nationally and globally. The Ministry of Transportation has the duty to realize reliable, competitive transportation that adds value and has responsibility over the policies and strategic plans in maritime and sea transportation business, where this development must be built to realize the priorities and targets of national development in order to focus on infrastructure and economic development to increase employment opportunities and reduce poverty and disparities between regions, so that the dimensions of equality and regional distribution can be enhanced through the development of national connectivity.

Maritime business and sea transportation have a higher level of complexity compared to land or air transportation, the involvement of many parties in every chain of its business activities makes its development slightly delayed compared to others. Given this complexity, the Ministry of Transportation has strategic plans created annually. The legal basis for the preparation of the Ministry of Transportation's Work Plan is Law Number 25 of 2004 concerning the National Development Planning System and Government Regulation Number 90 of 2010 concerning the Preparation of Work Plans and Budgets of State Ministries/Agencies.

Objectives of the Ministry of Transportation 2020-2024

The formulation of goals and objectives is the foundation in developing various developmental strategy options. Goals are statements about the things that need to be done to achieve the vision and mission by addressing the strategic issues of the transportation sector and existing problems. The goals are derived more operationally from each mission of the Ministry of Transportation's development, taking into account the vision.

1. To realize the mission of the Ministry of Transportation, it can be achieved through several of the following goals.
2. Increasing community accessibility to transportation service facilities;
3. Improving the performance of transportation services;
4. Reducing the ratio of accident occurrences and security disturbances in each transportation service;
5. Achieving restructuring and bureaucratic reform at the Ministry of Transportation;
6. Realizing the use of environmentally friendly transportation technology in transportation services.

Objectives, Programs, and Activities of the Ministry of Transportation 2020-2024

In accordance with the rules for formulating objectives that must meet the specific, measurable, achievable, relevant, time-bound, and continuously improve (SMART-C) criteria, the objectives must have measurable indicators, and the establishment of goals will direct the achievement of objectives more focused, so that the mobilization and utilization of resources to achieve them can be more effective and efficient.

According to the National Long-Term Development Plan 2005 – 2025, the objectives of the fourth stage of the five-year development plan (RPJMN 2020-2025) are directed at realizing an independent, advanced, fair, and prosperous Indonesian society through accelerated development in all fields with a solid economic structure based on competitive advantages. The realization of advanced and prosperous conditions can be achieved with the support of the implementation of a reliable transportation network for the entire community that covers the entire territory of the Republic of Indonesia.

Based on this approach, the focuses of the development of transportation are 1) Maritime Fulcrum Connectivity, 2) Multimodal Connectivity, 3) Transportation Safety, and 4) Urban Transportation. Further, there are 4 (four) focuses in addressing strategic issues of transportation development in 2020-2024, as follows:

1. Improving inter-regional accessibility to achieve economic equality
2. Strengthening inter-regional connectivity in support of regional economy
3. Integration of services between leading sectors in regional development
4. Strengthening urban transportation services to support the quality of urban mobility.

The goals and performance objectives of the Ministry of Transportation for the years 2020-2024 can be seen in the following table (Source: 2020 Ministry of Transportation Work Plan):

Vision	Mission	Objective	Target	Indicator	Unit	meta indicators
The realization of national connectivity that is reliable, competitive and provides added value	1) Increasing public accessibility to transportation services to support the development of connectivity between regions	1) Increasing public accessibility to transportation services	1) Realizing national connectivity and accessibility	1) Connectivity ratio of PKN and KSN nodes (KSPN, KEK, KI)	Ratio	The number of existing node availability is compared with the node availability plan according to the transportation order (transportation master plan) for each mode
				2) Service network support for PKN and KSN nodes	Ratio	The number of available services is compared with the planned service availability for each mode*)
				3) Support for transportation services in disaster-prone, border, outermost and remote areas	Ratio	The number of available transportation services is compared with the planned transportation service availability
	2) Improving the performance of transportation services	2) Increasing the performance of transportation services	2) Increasing the capacity of transportation facilities and infrastructure	4) Percentage increase in capacity of transportation facilities	%	Average percentage of combined capacity of transportation facilities for each mode
				5) Percentage increase in transportation infrastructure capacity	%	The average percentage of combined infrastructure capacity for each mode
			3) Increasing the performance of transportation facilities and infrastructure services	6) percentage of on-time performance (OTP) achievements in the transportation sector	%	Average percentage of combined OTP for each mode of transportation
				7) The level of implementation of standard guidelines for transportation facilities and infrastructure services implemented	%	The number of UPTs that implement service standards is divided by the total number of UPTs that provide shipping
				8) Transportation user service satisfaction index	Index	A large number of complaints from transportation service users were recorded
				9) Percentage increase in urban mass public transportation services	%	The average percentage of cities that implement mass public services based on superior modes compared to the target
	3) Improve safety and	3) Reduced incidence ratio	4) Increased safety and	10) National transportation accident incidence ratio	Ratio	Number of accidents in each national transportation service

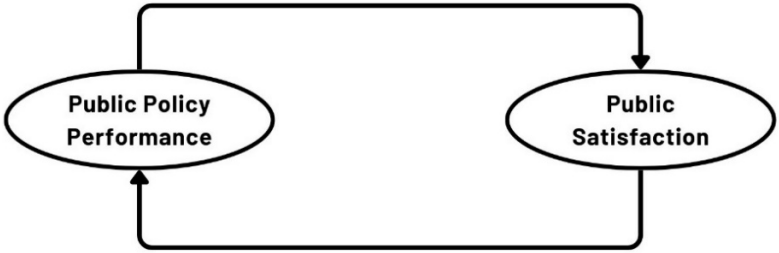
Transportation security in an effort to improve transportation services	accidents and security disturbances in every service and transportation.	Transportation Security	(11) Ratio of security disturbances in transportation services	Ratio	Number of security disturbances in each national transportation service
(4) Continue consolidation through restructuring and reform in the areas of regulations, institutions, human resources (HR) and law enforcement consistently.	(4) The achievement of retructuring and bureaucratic reform in the Ministry of Transportation.	(5) Improved integration of planning, programming and budgeting	(12) BPK's opinion on the Ministry of Transportation's financial statements	BPK Opinion	Maintaining BPK Opinion with the predicate of Unqualified Value (WTP)
		(6) Improved accountability and supervision	(13) Government Performance Accountability Score (AKTP) of the Ministry of Transportation	AKIP Score	AKIP assessment by MENPAN RB
		(7) Creating regulatory reforms and consistent law enforcement	(14) Legal products that support the achievement of the Ministry of Transportation's regulatory reform mission	Document	Number of legal products that support the achievement of the Ministry of Transportation's bureaucratic reform mission
		(8) Increased competent and integrated human resources	(15) SOP of transportation services	SOP	Number of transportation service SOPs put in order
			(16) Percentage of fulfillment of the needs of functional positions for each mode of transportation that are professionally certified	%	Number of functional positions that are professionally certified against the planned needs of each mode of transportation
(5) Realizing the development of environmentally friendly transportation technology to anticipate climate change.	(5) The realization of the use of environmentally friendly Transportation Technology in transportation services	(9) Increased applied innovation in the field of transportation	(17) Number of applied innovations in the field of transportation	Package	Number of applied innovations in the field of transportation
			(18) Number of applied innovations in the field of transportation for greenhouse gas reduction	Package	
		(10) Improved management of regulations and legal services, facilities, infrastructure and Information Technology	(19) Utilization of big data and IoT (Internet of Things)	Package	Number of applied innovations in the field of transportation

Policy and Strategy Analysis of the Development of Indonesian Marine Transportation

a. Policy Analysis

Riant Nugroho (2018) stated that a country needs an effective government that works better and more correctly, as well as a government capable of making good and correct policies, quality, and excellent policies. Superior policies are needed to make the resources of a country truly empower the nation and its people throughout time. Public policy is not present to become law, which judges, seeks out the wrongdoers, and incarcerates them. Public policy is here to provide a great public life. Ostensibly, there are two main reasons public policies fail to achieve their objectives: they failed to be implemented and poor policy formulation. Making policies at any level should not be underestimated and simplified. A policy should be seriously

considered, considering public policy performance and public satisfaction.



In common terms, public policy is any decision made by the state, as a strategy to realize the goals of the State. Philosophically, every public policy should have a positive meaning for the public. Every creation of public policy must be based on a positive thought, or a thought that improves and champions the interests and wellbeing of the public. Riant Nugroho (2018) stated that policy analysis is a theory derived from the best experiences and is not initiated from findings, academic studies, or scientific research. This means the theory of policy analysis is a lay theory (a theory developed from experience) and not an academic theory (academic study). Thus, the development of policy analysis theory in the future will increasingly be determined by the successes and failures that occur in the public administration environment.

Policy analysis is essentially a technology discovered by humanity to solve the "problem" of how decision-makers ensure that the policies they create are truly excellent. Quade (1982) stated that policy analysis is necessary because many policies are unsatisfactory. Ultimately, policy analysis is a truly practical

practice, just like advocacy practice in the past or medical practice today. Policy analysis becomes the closest necessity for power so that power can be exercised faithfully. Policy analysis operates between two narrow bridges: the practical needs of power and the ethical obligation to defend the public interest. Policy analysis is a process that must be conducted professionally.

b. Indonesia's Marine Transport Today

The World Resource Institute identifies Indonesia as the largest archipelagic state in the world, characterized by its extensive and numerous islands, where 75% of its territory is comprised of maritime areas. The coastline of Indonesia stretches up to 108,000 kilometers, embracing a vast maritime zone of 6.4 million km², thereby dominating the total territorial expanse of Indonesia.

There are 11 sectors that present significant opportunities for development within the maritime domain, one of which is sea transportation. Indonesia possesses considerable opportunities to augment its maritime domain potential, thereby asserting its stature as a global maritime fulcrum and establishing the sea as the primary, most efficient transportation corridor, considering nearly 80% of goods and services movement between islands is facilitated through marine transport services. The potential for marine transport became increasingly promising when the International Maritime Organization (IMO), through the deliberations of the 101st session of the Maritime Safety Committee (MSC), formally approved the inception of the Traffic Separation Scheme (TSS) in the Sunda Strait (ALKI 1) and the

Lombok Strait (ALKI 2). Consequently, Indonesia became the inaugural archipelagic state to possess a sanctioned marine traffic separation scheme in its archipelagic sea lanes.

The Ministry of Maritime Affairs and Fisheries consistently strives to enhance its performance across various sub-sectors including ports, marine transport traffic, navigation, and the unity of marine and coastal guard. The ministry has instituted policies and infrastructure facilities to foster maritime connectivity, evident from initiatives such as the maritime toll road policy and pioneer shipping services initiated since 2015. As of 2021, the maritime toll road program has encompassed 30 routes reaching 74 cities/districts, accompanied by pioneer ships operating on 118 routes, PSO Pelni on 26 routes, and 6 routes dedicated to livestock transport vessels.

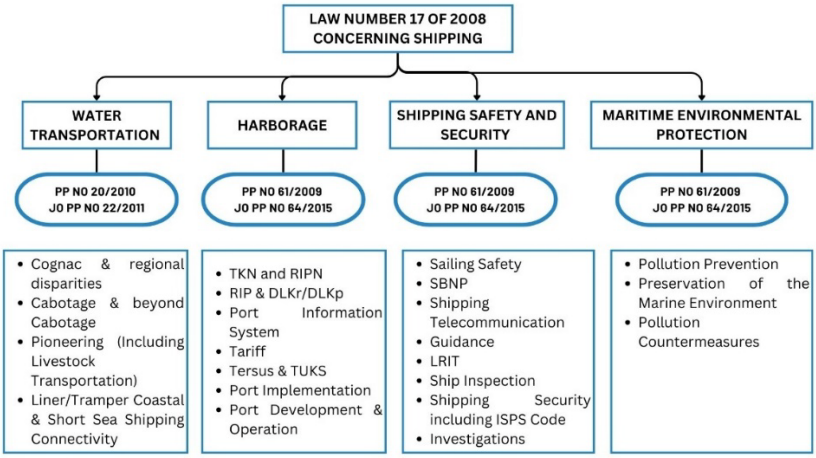
c. Policies and Business Strategy for Marine transport Activities 2020-2024

According to Clausewitz, public policy embodies institutionalized political decisions from the government. A political decision not institutionalized becomes part of an institution by being legally ratified. The most significant challenge for every developing country lies in formulating robust public policies that represent national interests instead of foreign or corporate ones. The comprehension, understanding, and mastery of public policy are fundamental prerequisites for creating excellent public policies.

A policy issue, denoted as such if it is strategic, is fundamental, affecting a broad spectrum of people or even mutual safety, long-term, cannot be resolved by a single entity, and indeed necessitates resolution. This issue is elevated to a political agenda for resolution. Policy issues can be categorized into two types: problems and goals. Public policies can be oriented towards addressing emerging issues in public life or achieving goals or objectives. At that time, most public policies were problem-oriented rather than anticipating the future.

In most policy analyses, the identification of policy issues always constitutes a critical part in the process. Some of the strategic policy issues pertinent to marine transport in Indonesia include:

1. Resources; satisfying human resource needs, implementing ICT systems, and supportive infrastructure and facilities.
2. Funding; still heavily reliant on the state budget (APBN), exploring alternative financing (KPBU, KSP/KSO, PINA).
3. Institutional aspects; bureaucratic systems, stakeholder roles, and optimization of Technical Implementation Units (UPT).
4. Regulation; structure, relevance, effectiveness, and efficiency.



Source: presentation of PLT Director General of Hubla in the delivery of strategic issues of DG Hubla

This policy issue has spurred the government to formulate public policies aimed at resolving the mentioned problems. This policy framework will become law for the entire nation and its citizens, including the nation's leadership. The primary policy directions of the Directorate General of Marine Transportation (Ditjen Hubla) 2020-2024 are as follows:

1. Realization of domestic maritime logistics.
2. Enhancement of connectivity to international shipping networks.
3. Meeting the needs for safety infrastructure and facilities.
4. Development of international hub ports and supporting ports for the Maritime Highway.
5. Improving compliance with international standards/regulations.

6. Enhancing integration between modes of transportation and regions.
7. Enhancing the quality of safety and public services at ports.
8. Advancement of information technology.
9. Utilization of alternative financing.
10. Institutional revitalization of the Directorate General of Marine Transportation.

Current public policy challenges, in developing countries, for instance, the politics steering the nation is referred to as development politics. This politics is a national policy, derived from the choice of a nation's ideology. Pancasila democracy, as Indonesia's political ideology, manifests operationally at a political level as development politics, which in turn has an operational form as public development policy. Meanwhile, the primary challenges in the marine transportation sector, particularly in the 2020-2024 period, are primarily associated with global economic developments, technology advancements, energy transitions, and climate change. Amidst these challenges, the national marine transport services need to support equal and accelerated development, while maintaining safety and security of navigation and maritime environmental protection. Thus, the policies and strategies undertaken by the Ministry of Marine Transportation to promote maritime business and marine transport are as follows:

1. Implementation of the National Logistic System supported by the maritime highway policy initiated in 2015. As of 2021, the maritime highway has reached 30

routes, with 118 pioneering ship routes, 26 PSO Pelni routes, and 8 livestock ship routes. However, there remains a deficiency in return cargo heading west, necessitating further strategic analysis.

2. Port development policy through the Master Plan for Ports (RIP) to establish port hubs, empower the role of port organizers, encourage private investment, and realize integrated planning.
3. Digital collaboration in services, such as the implementation of SIMPEL, SIMLALA, online ship, Online Seafarer's Book, Navigation and BUP applications.
4. Development of maritime safety infrastructure; navigation ships, patrol ships, and navigational aids like VTS.
5. Recruitment of human resources through the Civil Servant Candidate (CPNS) program, and employee empowerment through training programs.
6. Community empowerment through labor-intensive programs.

The Directorate General of Marine Transportation's strategic plan achievements indicate significant deviations regarding the performance targets. It is noteworthy that attaining these targets would profoundly influence the realization of national development goals, given the substantial impact of marine transport performance on the national economic condition. Various development agendas launched by the President, especially to accelerate transportation development, are fostering national industry to strengthen the National Logistic

System and bolster national connectivity within the framework of supporting regional and global cooperation. Unfortunately, there are still issues from the Maritime Highway policy implemented by the Ministry of Transportation such as the lack of return cargo transportation heading to west and inadequate loading/unloading facilities in several ports.

Five Years Mission of Policy Directions

a. Policy Formulation

The life of a nation is a communal existence, and this communal existence needs to be regulated by binding rules applicable to everyone. In short, these rules within a country are referred to as public policies. Public policy is the pathway to achieving the collective aspirations of a community. The ultimate dream of the Indonesian nation is to achieve a just and prosperous society based on Pancasila and the 1945 Constitution. Hence, the public policies in Indonesia are all the infrastructures that support the attainment of this goal.

The nation operates based on mutually agreed upon "rules of the game", emanating from the highest levels, such as the constitution (1945 Constitution), People's Consultative Assembly decisions, Government Regulations, Regional Regulations, decisions made by the president, ministers, departments, and so forth. The root of Indonesia's public administration problems lies in the inadequately formulated regional autonomy policy, which was hastily implemented without a policy control mechanism.

In the context of global competition, the task of the public sector is to foster an environment that allows each actor, whether business or non-profit, to develop into competitive entities not only domestically but also globally. There are three fundamental tasks necessary for a society to live, grow, and develop, namely the provision of services, development tasks, and empowerment tasks. Each organization undertakes one task and then it becomes the mission or "reason for existence". The division is as follows:

1. The task of public service is the duty to provide services to the public without discrimination and is offered freely or at a cost so affordable that even the least capable groups can access it. This task is carried out by the state through one of its arms, namely the executive arm (the government).
2. The task of development is the duty to enhance the economic well-being of society. This task focuses on efforts to build the productivity of the community and create economic value from that productivity. The development task is the mission of economic organizations or business institutions.
3. The empowerment task is the role of enabling every citizen to enhance their quality of humanity and community. This task is non-profit in nature. Non-profit organizations are those with core competencies in the field of empowerment.

The maritime industry is a large-scale industry with various related technical aspects. Colton (2003) categorizes the structure of the maritime industry into sectors: ship design, ship construction, maritime manufacturing, ship operations, and ship repairs. This sector is supported by smaller industries that provide HR services and other technical services, employing a large workforce from the private sector, government, and related universities. The development of the maritime industry in Indonesia needs to be clearly followed up in the era of the Industrial Revolution 4.0, which emphasizes the revolutionary process of manufacturing technology that significantly influences human lifestyle and work patterns. This concept involves the implementation of various cross-disciplinary industrial operations supported by information technology (IT) to enhance productivity and quality (Plinta, 2016).

Every activity and policy implementation encounters increasingly complex problems and challenges. In the next five years, maritime and sea transportation development should be viewed from the perspectives of service tasks, development tasks, and empowerment tasks. In this perspective, the Ministry of Transportation must play a greater role in fostering the full potential of human resources, economy, and technology to become subjects that develop optimally and benefit society and national sea transportation development.

b. Policies and Strategic Plan 2022-2026

The Ministry of Transportation holds a crucial role in supporting the implementation of the Nawa Cita initiative through marine transportation policies and strategies. These policies and strategies are formulated based on pre-determined issues as elucidated in Chapter II and this paper, and can dictate the direction of subsequent policies with objectives to:

1. Accelerate the development of multimodal transportation infrastructure and support the national logistics system (Sislognas) and industrial areas, thereby enhancing marine transport services.
2. Endeavor to strike a balance between nationally oriented transportation and local and regional-oriented transportation.
3. Construct an integrated transportation information system and network to back investments in economic corridors, special industrial areas, industrial complexes, and service growth centers in non-economic corridor regions.
4. Enhance and prepare a skilled human resource pool that can compete on a global scale.
5. Amplify the safety and security measures in transportation management.
6. Develop environmentally friendly transportation facilities and infrastructure to address greenhouse gas emissions.

In crafting a public policy analysis product, several stages are necessitated in compliance with the applicable laws, and these should be reviewed through various public and academic evaluations. The policies and strategic plans outlined in this chapter are based on existing issues and may potentially assist the Ministry of Transportation in devising and formulating upcoming policies.

No	Policy	Urgency	Strategy & Target	Responsible Unit	Target Completion
1.	Empowerment of communities and SMEs	People's economic struggle due to the COVID-19 pandemic.	Involving the community in the work environment of the Ministry of Transportation in every development and procurement of goods and services.	Ministry of Transportation	2022-2026
2.	New businesses expansion	• Starting from Law No. 17 of 2018, Government Regulation No. 20 of 2010, and PM 65 of 2019, through the ease of ship ownership bonds, the abolition of capital obligations, and relief of licensing, ideally, it should also be comparable with factors of competition, finance, contract code of ethics, and quality of services (5K). • There is a new trend that agency services are shifting to collaborate	• There is a need to provide a stimulus to strengthen ship agency companies in performing their services. • Developing standards for operational performance in documentation, vessel clearance, cargo operation, and	Directorate of Ports	2022

		with BUP-BUM rather than PBM entities. • There are still relatively many ship agency business actors who have difficulty preparing payment for operational funds for port services that must be prepared beforehand before fulfilling the principle. • This factor becomes a burden that needs to be improved to increase the principal's selectivity towards the national ship agency entities.	agriculture. • Encouraging ship agency companies to own assets, especially fleets of ships, to strengthen the Indonesian shipping fleet.		
3.	Facilitation of capital for national shipping companies	After implementing the scrapping policy, which requires all ships to be at most 25 years old, the government must assist in procuring new ships. In this case, policy support for bank credit funding should be provided to procure new vessels.	Shipping companies are segmented into cargo operation services, financial, and insurance.	Directorate General of Sea Transportation	2022
4.	Regulations supporting the operation and	Supporting regulations are needed for the organization and management of services at ports,	• Development of information systems and ICT for	All units within the Directorate	2022-2026

	management of port services	aside from the Indonesian Minister of Transportation Regulation Number PM 89 of 2018 regarding Norms, Standards, Procedures, and Criteria for Integrated Electronic Business Licensing in the Maritime Transportation Sector, as well as PM 146 of 2016, which amends PM 51 of 2015 regarding the Management of Sea Ports.	administration and technical aspects in each navigation area. • Improving the effectiveness and updating the content of the Directorate General of Sea Transportation portal. • Integration of interface systems and database/big data management in sea transportation.	General of Sea Transportation	
5.	Port Management and Operation by Regional Government (Pemda)	• Based on Law No. 23 of 2014 regarding Regional Government, there is a transfer of duties, functions, and authority between the Central Government and the Regional Government. Among others, the authority to issue Small Passes, the procedures for which	• Reorganizing the UPP port management into KSOP/other institutional forms due to policies that eliminate several echelons in the Ministries/Institutions	Directorate General of Sea Transportation	2022-2024

		have been regulated in PM 39 of 2017 about Registration and Nationality of Ships, and the implementation of local and regional port management by Regional Governments through the mechanism of Personnel, Infrastructure, and Funding Handover (P3D) from the Central Government to the Regional Government. • Instruction from the Minister of Transportation of the Republic of Indonesia Number IM 16 of 2018 regarding the Implementation of the Work Meeting Results of the Ministry of Transportation for 2018, precisely the Directorate General of Sea Transportation related to the preparation of a Roadmap for the transfer of Feeder Ports to the Regional Government, compiling and	• Development of institutional arrangements for shipping implementation in the regions (P3D). • Creation of a legal basis for establishing NSPK, both for the transfer process and for developing the maritime sector to the Regional Government. • Preparing qualified human resources to execute tasks.		

		refining the NSPK for both the transfer process and maritime sector development to the Regional Government.			
6.	Fulfillment of ports' operational standards within the Integrated Port Network (IPN)	There should be a Presidential Regulation (Perpres) that outlines the implementation of the Integrated Port Network (IPN) based on three strategic pillars: "namely the standardization of infrastructure, superstructure, and operational patterns at 7 main ports, integration of industrial areas with ports, and forming shipping alliances for operational efficiency of the shipping network through increasing ship sizes and activating pendulum routes (looping service)".	• Standardization of the provision of harbor basin depth, dock length, and loading and unloading facilities at the main IPN ports. • Development of an integrated operational system at the 7 main ports (IPN) supporting national logistics. • Standardization of infrastructure and superstructure at main ports (development of	Ministry of Transportation , State-Owned Enterprises (BUMN), Private Sector	2022-2024

			docks and container terminals). • Development of Industrial Areas.		
7.	International regulations revision on navigation	The revision of regulations related to national regulations in the shipping field also comes from the international shipping world. Various international conventions are issued by the IMO (International Maritime Organization), primarily SOLAS (International Convention for the Safety of Life at Sea), MARPOL (International Convention for the Prevention of Pollution from Ships), and STCW (Standards of Training, Certification and Watchkeeping for Seafarers).	• Revision of KM Number 65 of 2002 concerning the Organization and Work Procedure of the Sea and Coast Guard Base for the institutional strengthening of the Sea and Coast Guard. • Arrangement of the Sea and Coast Guard institution following the mandate of Law Number 17 of 2008 concerning Navigation and the organization of the	Directorate General of Sea Transportation	2022-2026

			Sea and Coast Guard institution by proposing a revision to the Minister of Transportation Decision Number KM 65 of 2002 concerning the Organization and Work Procedure of the Sea and Coast Guard Base. • The proposal for the institutional strengthening of the Sea and Coast Guard Base is outlined in the academic manuscript proposal for the revision of KM Number 65 of 2002 concerning the Organization and Work Procedure of		

			the Sea and Coast Guard Base.		
8.	Regulation supporting the establishment of BLU or other Institutional Forms in the field of navigation	The Public Service Agency, regulated under Government Regulation Number 74 of 2012 regarding Amendment to Government Regulation Number 23 of 2005 on Financial Management of the Public Service Agency, still needs to be implemented effectively.	Strengthening human resources, regulations, SOPs, and institutions (including the potential of BLU) in the navigation organization. Regulation of water areas is also essential.	Directorate General of Sea Transportation	2022-2026
9.	Reorganization and reaffirmation of institutional authority agreements related Sailing Approval Letters (SPB) since SPB is issued by two ministries (Ministry of Marine Affairs	Law No. 31 of 2004, amended by Law No. 45 of 2009 on Fisheries, Law No. 17 of 2008 on Navigation, and Minister of Transportation Regulation No. KM 01 of 2010 on Procedures for Issuing Sailing Approval Letters (Port Clearance).	• Joint discussion regarding the rules for issuing SPB specifically for fishing vessels is necessary because fishing vessels that land and depart from fishing ports (particular ports), in addition to complying with the provisions of the Law	Ministry of Transportation and Ministry of Marine Affairs and Fisheries	2022

	and Fisheries (KKP) and Ministry of Transportation (Kemenhub)).		on Navigation, also adhere to the requirements of the Law on Fisheries. • Socialization of the rules. This is done by gathering all stakeholders.		
10.	Greenhouse gas emissions (RAN-GRK) policy in the transportation sector	• Reduction of Exhaust Gas Emission Tax for Companies implementing Low Carbon Technology in the Maritime Sector. • Tax reduction for Companies that apply environmentally friendly technology (Low Carbon) to the commercial ships they manage as a transition to implementing new technologies to realize an environmentally friendly industry in the maritime sector. • Many business actors are starting	• Creation of new business opportunities in utilizing natural resources as environmentally friendly fuels. • Environmentally Friendly Technology serves as an alternative to the use of increasingly scarce fossil fuels. • This incentivizes	Ministry of Transportation	2022-2026

		to invest in developing environmentally friendly technology on ships.	players in the maritime sector to transition from high-carbon technology to low-carbon technology. • Expansion of Company business towards Low Carbon technology. • Cooperation/Partner ships are established with companies in a broader sector.		
11.	Yachts and marinas operation in Indonesia	• Operation of yachts or marinas in Indonesia. • The government needs to clarify the operation of marinas or yacht terminals in Indonesia so investors can feel more secure in investing in marinas in Indonesia, and marina services in Indonesia	• Marketing the potential of marinas or yachts in Indonesia while waiting for specific regulations that govern the operation and development of	Ministry of Transportation	2022-2026

		can also be standardized. • Currently, considering there are no specific regulations from the Ministry of Transportation regarding yachts or marinas, PT Pelindo uses the TUKS terminal operation permit as the basis for the construction and operation of the marina in Banyuwangi.	marinas in Indonesia. • Building marinas or yacht ports in Indonesia. • Collaborating with strategic partners in the operation and construction of terminals. • Implementation of the eco-port concept at several main and collector ports, including providing reception facilities, non-fossil fuel-powered loading and unloading equipment, and applying green building. • Provision of B-20 fuel bunker facilities and		

			Low Sulfur Fuel.		
12.	Technical Standards for the Design of Quay Construction and Port Infrastructure in Indonesia	• According to PerMenHub No. PM 57 of 2020, one of the requirements for applying for a port construction permit is a Technical Design Document. • There are no specific technical standards governing the construction of docks or port infrastructure. • The absence of technical standards at the national level results in inconsistent dock and port infrastructure construction in Indonesia, both in terms of strength and serviceability. • Considering that ports are gateways for economics and logistics, and given Indonesia's earthquake-prone geographical conditions, if docks are designed non-standardly (haphazardly),	• PT Pelindo, as the largest port operator in Indonesia, needs to develop and establish technical standards for the design of dock and port infrastructure construction within the company. • Carrying out port infrastructure construction according to the design agreed upon with the Ministry of Transportation and under proper supervision.	Ministry of Transportation	2022-2026

		and a large-scale earthquake occurs, the docks may collapse. This situation could hinder logistic supplies and cause losses in a region, requiring a long time for recovery.			
13.	• Optimization of pioneer shipping performance, The Maritime Highway, and people's shipping • Adjustment of legal basis for the implementation of pioneer shipping, PSO cargo transportation,	• The government urgently needs to design and establish a master plan for the Maritime Highway. The master plan is required as a reference for related Ministries or Institutions in implementing the Maritime Highway. This reference is also necessary for actors and other stakeholders involved in the Maritime Highway Program, including shipping companies. The master plan should include planning for routes, actors, mechanisms, ports, infrastructure development plans, and supporting industries, including	• Provision of Sea Toll and pioneer sea transportation subsidies. • Preparing a blueprint for the Maritime Highway/pioneer/live stock ships/network. • Enhance coordination among related stakeholders (Ministries/Institutions, Regional Governments, Private Sector). • Provision of container	Directorate General of Sea Transportation	2022-2026

	and livestock ships • Establishment of the special legal basis for the implementation of pioneer shipping, PSO cargo transportation, and livestock ships as a follow-up to Government Regulation of the Republic of Indonesia Number 20 Year 2010 Regarding Transportation on Water	shipyards. • Establish the legal basis for organizing the network of national shipping routes. • Revision of the Directorate General Decree regarding the network of fixed and regular routes for goods and container transportation (preferably in the form of loops, alliance network operation systems supporting the Maritime Highway). • Improvement in the effectiveness of the scheduled shipping reporting system (voyage report). • Creation of a specific legal basis for implementing pioneer shipping, PSO cargo transportation, and livestock ships, following up on the Government Regulation of the Republic of Indonesia Number 20 of 2010 about Transportation on Waters.	unloading facilities at ports supporting the Sea Toll, especially mobile cranes. • Automation of goods loading and unloading systems at several main and collector ports. • Implementation of service standardization primarily at hub ports or main ports. • Implementation of the feeder and hub port concept. • Cost savings on logistics as a result of service standardization.		

14	Establishment of Competitive Sea Port Infrastructure	• Prioritization of the completion of port construction/development/rehabilitation. • Resolution of technical and non-technical obstacles hindering port completion.	• Development and implementation of port information systems. • Increase in the number of ports that have implemented INAPORTNET. • Digitalization of port services. • Implementation of blockchain systems to reduce logistics costs. • Application of NLE at the 7 main ports.	Directorate of Ports	2022-2026

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SECTION TWO:
PUBLIC POLICY AND CORPORATE 1: THE CASE OF THE MARITIME HIGHWAY AND PT PELNI

CHAPTER 6.
THE TOL LAUT POLICY, PELNI, AND THE MARITIME BUSINESS

CHAPTER 6.
THE MARITIME HIGHWAY POLICY, PELNI, AND THE MARITIME BUSINESS

Filemon , et al

Introduction

The sea represents a monumental bounty as well as a unique challenge for archipelagic countries in managing and integrating it into a burgeoning industry, as observed in Indonesia. The escalating population, demands, and human necessities are intrinsically linked to the distribution logistics orchestrated by a nation within a robust maritime system, bolstered by terrestrial, maritime, and even aerial transportation. However, these necessities are not always concentrated within one region or nation, as areas or countries are partitioned by oceans, inclusive of rivers and lakes. This is the prevailing scenario in several regions and islands within the Indonesian territory. Areas where each district is interconnected through seas and other water bodies heavily rely on marine transportation, particularly shipping, for economic progress.

Economically speaking, consumer goods can be marketed swiftly and efficiently only if they are supported by adequate ships and ports. This necessitates a well-organized shipping system and port planning, with existing port facilities and their effective management, enabling the smooth distribution of cargo from ship to port and vice versa. This facilitates the suppression of commodity price disparities, fostering a balance between the western and eastern regions of Indonesia. Indonesia, the largest Archipelago State, comprises numerous large and small island

clusters, encompassing a vast maritime territory (67% of which is water) recognized and articulated in the United Nations Convention on the Law of the Sea (UNCLOS) of 1982. The expansiveness of the maritime domain of the Unitary State of the Republic of Indonesia stands at 6,315,222 km² (the entire world's sea area is 361 million km²), consisting of a territorial sea area of 282,583 km² (80% water bodies) and 20% land.

The national maritime zone, encompassing inland waters and island areas, spans 3,092,085 km², alongside an Exclusive Economic Zone (EEZ) of 2,936,345 km². The Indonesian archipelago's coastline stretches over 99,093 km², incorporating more than 17,504 islands situated between larger islands, such as Sumatra in the west, the Nusa Tenggara islands, Maluku, and Papua in the east, and Kalimantan, Sulawesi, and Java in the central region. Additionally, it houses coral reefs covering 26,095.15 km² and mangroves spanning 36,164.45 km². The national naming team has standardized the names of 13,466 islands and submitted them to the United Nations.

This scenario necessitates an integrated and proportionate maritime transport management program to fulfill the economic and territorial requirements of the nation as a maritime state, safeguard maritime borders, and reinforce national sovereignty by amalgamating the strengths of all ministries/agencies for maritime security, reaching every region and waters of Indonesia. It integrates the potency of all ministries/agencies and relevant entities concerning safety and maritime security to ensure the safe, secure, and efficient operations of shipping, port services, and national logistics distribution, capable of safeguarding the marine environment from pollution, as

proclaimed by the IMO slogan "Safe, Secure and Efficient Shipping on Clean Ocean".

Furthermore, Indonesia is a member of the global maritime organization, the International Maritime Organization (IMO), actively participating since its membership inception on January 18, 1961. As a member state, it is obligated to ratify and implement international regulations transposed through national legislation. For instance, the enactment of conventions pertaining to safety, such as the Safety of Life At Sea (SOLAS Convention), and codes focusing on security, namely the International Ship and Port Facility Security Code (ISPS Code), are essential. Consequently, each port must pioneer breakthroughs and innovative ideas in servicing commercial vessels and implement these in the services provided for the docked ships undergoing loading and unloading processes, including goods and personnel. Additionally, Indonesia's re-election as a Category C member of the IMO Council for 2020-2021 and its inaugural appointment as the External Auditor of IMO for 2020-2023, determined at the end of 2019 in London, are significant milestones.

Figure 1. Indonesia's Sovereignty and Jurisdiction Area

Source: Hydrographic and Oceanographic Center of the Navy, 2016

The current maritime operations are designed with a robust system modernization to manage ships in accordance with the needs of various regions and areas. Similarly, the operating vessels must be suited to the type and category of their cargo, thus supporting national connectivity by reaching areas and islands currently referred to as the 3TP region (Forefront, Outermost, Remote and Border areas). With the global recognition of Indonesia as the largest archipelago state, and also as a maritime nation strengthened by international regulations, the government undoubtedly needs to be present in every territory up to the 3TP area with innovative ideas that signify a significant leap for the welfare of the people and Indonesian shipping.

This breakthrough idea is interpreted as an acceleration with swift actions in a work program across all regions of Indonesia within the maritime system. This innovative concept is named the "Maritime Highway" program. The implementation of this program stems from national and international laws that lay the foundation in determining government policy directions, such as from the perspective of Maritime Law, which is divided into two, namely Public Maritime Law and Private Maritime Law regulating shipping business, shipbuilding, and marine insurance.

As it develops, the Tol Road program becomes a large and busy activity, involving local, national, and global business components with the government as the regulator in a unified maritime system consisting of waters, port affairs, safety, and security for national interests, as stipulated in Law Number 17 of 2008 regarding Shipping, in connection with the management of marine spaces, fisheries, and marine; Law Number 1 of 1973 concerning the Indonesian Continental Shelf; Law Number 4 of 1960 juncto Law Number 6 of 1996 regarding Indonesian Waters; Law Number 5 of 1983 regarding the Exclusive Economic Zone of Indonesia; Law Number 17 of 1985 regarding the Ratification of the United Nations Convention on the Law of the Sea; Law Number 25 of 2004 regarding the National Development Planning System; Law Number 31 of 2004 regarding Fisheries; Law Number 27 of 2007 juncto Law Number 1 of 2014 concerning the Management of Coastal Areas and Small Islands.

PELNI as the Backbone

The geographical condition of Indonesia, consisting of islands separated by waters, makes marine transportation the primary choice as a connector and means of inter-island logistics distribution. The development of Indonesian marine transport should be fully utilized, as the imbalance in the movement of goods between West and East Indonesia affects the availability of people's necessities, leading to significant price disparities in specific regions in Indonesia. The Tol Road policy aims to reach and distribute logistics to the foremost, outermost, remote, and border areas, ensuring the availability of goods and reducing price disparities between western and eastern regions of Indonesia to enhance community welfare. With the presence of ships serving the Maritime Highway Road routes, transportation costs decrease for each commodity. The reduction in prices for areas served by the Maritime Highway Road can reach up to 20 percent from the prices before the program's implementation. However, the reduction is only felt in areas around ports, while prices in inland areas remain high.

PT. Pelayaran Nasional Indonesia (PELNI) struggles to provide quality services to the public as almost all of its customers are low-end-users, preventing it from meeting business financial needs. This policy cannot be implemented due to the performance criteria of other state-owned enterprises, namely, the usual financial health of the economic business or precisely the company's profit. To cover it, a patchwork policy called PSO (public service obligation) was created in the form of "subsidies" to the corporation. A principle that is fundamentally "misplaced" because subsidies cannot be given to profit-motivated corporations but can be granted to public service agencies whose

performance criteria are service quality. As for the year 2021, the cargo ships operated by PT PELNI (Persero) are on 9 routes, namely:

1. Route H-1 operated by KM Logistik Nusantara 1 with the route Tg. Perak - Makassar - Tahuna - Tg. Perak
2. Route T-19 operated by KM Logistik Nusantara 2 with the route Merauke - Kokas - Sorong - Biak/Korido - Jayapura/Depapre - Sorong - Merauke
3. Route T-15 operated by KM Logistik Nusantara 3 with the route Tg. Perak - Makassar- Jailolo - Morotai - Tg. Perak
4. Route T-3 operated by KM Logistik Nusantara 4 with the route Tg. Priok - Kijang - Tarempa - Pulau Laut - Selat Lampa - Subi - Serasan - Midai - Tg. Priok
5. Route T-10 operated by KM Logistik Nusantara 5 with the route Tg. Perak - Tidore - Morotai - Galela - Maba/Buli - Weda - Tg. Perak
6. Route T-5 operated by KM Kendhaga Nusantara 1 with the route Bitung - Ulusiau/Tagulandang - Tahuna - Lirung/Melanguane - Miangas - Marore - Tahuna - Ulusiau/Tagulandang - Bitung
7. Route T-14 operated by KM Kendhaga Nusantara 7 with the route Maumere - Lewoleba - Larantuka - Maumere
8. Route T-18 operated by KM Kendhaga Nusantara 8 with the route Tg. Perak - Badas - Bima - Surabaya
9. Route T-13 operated by KM Kendhaga Nusantara 11 with the route Kupang - Rote - Sabu - Waingapu - Kupang

Maritime Business Development

The first benefit of the Maritime Highway Policy for the development of maritime business is the development of Anchor and Transitory Ports in the Pioneer Program. According to regulations, the port has a role as a place for distribution, production, and consolidation of cargo, so the port can function as an anchor and transitory port. To reach areas not yet passed by commercial sea transportation, pioneer transportation becomes a mainstay so that the availability of sea transportation can be felt to the corners of the country and connect between island clusters. Because the areas to be passed include the foremost, outermost, remote and border areas, the challenges faced are related to the conditions of areas that are not yet supportive, namely routes that are not yet integrated with other sea transportation, limited supporting facilities in the service area such as port facilities, and underdeveloped community support.

To overcome this problem, the selection of ship specifications, routes, and port development greatly affect the effectiveness of the implementation of pioneer transportation. The amount of cargo transported through pioneer ships has increased in the last three years. In 2016, the cargo transported amounted to 67,306 tons, then in 2017 it increased by 19% with a total cargo of 80,080 tons. The percentage of cargo increased again in 2018 by 21% with a total cargo of 97,242 tons. In 2019, the amount of cargo increased compared to the previous year but the percentage increase was not as big as the previous year, at 10% with a total cargo of 106,966 tons.

Although the amount of cargo increases each year, the Load Factor at some ports is still relatively low. Survey results show that the highest passenger Load Factor is only 19.43%, which occurred on route R-44 through Makassar Port (sequence of places mentioned). The highest Load Factor for goods is 10.5%, which occurred on route R-8 through Pangkal Kijang Port (sequence of places mentioned).

The second benefit is the development of Anchor and Transitory Ports in the PSO Passenger Program. In the Maritime Highway program, the government supports passenger movement through the Passenger Public Service Obligation, the Ministry of Transportation by providing 26 units of passenger ships ranging from 500 to 3000 GT. Until 2019, 92 ports were visited by PSO passenger ships. Tanjung Perak Port (Surabaya) and Makassar Port are the ports most often passed by PSO Passenger routes, each with 13 routes. The port most often passed by PSO passenger ships is Bau-Bau Port with 11 routes.

This is seen from the graph of the number of passengers in Maritime Highway transportation in the last four years has increased, due to the general growth rate of Indonesia's population and the development of local industries that make people/passenger movement busier from one region to another using sea transportation as the main mode. However, in its implementation, it must be supported by ship operating costs because ticket sales have not been able to cover the operational burden of the ship which includes fixed and variable costs in operating every day considering the purchasing power of the people in some areas of Indonesia is still low.

The ship's operational costs include fixed costs, consisting of the captain and crew's salary and benefits, health, food, fresh water, laundry, accommodation, ship maintenance, ship insurance, ship fumigation, ship depreciation, and variable costs such as fuel, lubricating oil, fresh water for passengers, crew premiums, goods safety, marketing, port services and overhead costs if something happens due to the conditions of certain ports and areas during the ship's journey (overhead costs are set at 5% of fixed costs). In line with the need for harmony to spur the economy of the regions, policies that make the implementation of the Maritime Highway program in service to the community are increased with subsidies or Public Service Obligation (PSO) to the Maritime Highway fleet, especially to economy class passengers.

The third benefit is the development of Anchor and Transitory Ports in the Maritime Highway Logistics Program. Since the implementation of the Maritime Highway in November 2015 until 2018, there have been changes in the sailing routes serving the Maritime Highway program. Initially, it was carried out through assignments to PT. PELNI with three fleet ships to serve three routes. Then the transportation of goods for Maritime Highway ships in 2016 used six fleets each owned by PT. PELNI serving 6 routes. In 2017 there were 13 sailing routes where 6 routes were through assignments to PT. PELNI and 7 routes were carried out by private companies. Whereas in 2018, the sailing routes were increased to 18 routes where the operation of 11 routes was through assignments (PT. PELNI, PT. ASDP, and PT. Djakarta Lloyd) and seven routes by private companies. The implementation of the Maritime Highway transportation experienced changes again with 19 ships to serve 20 routes.

In its implementation, the 20 routes pass through 81 ports in various regions in Indonesia, consisting of 4 Home Ports, 5 Transshipment Ports, and 72 Stopover Ports. Because the main objective of the Maritime Highway operation is inter-regional connectivity and balancing the flow of goods in the 3TP area, most of the ports passed by the Maritime Highway routes are in Eastern Indonesia. The port most frequently used by the Maritime Highway routes is Tanjung Perak Port, located in Surabaya, East Java, namely Route Codes H-1, H-2, H-3, H-4, T-9, T-10, T-11, T-12, T-15, and T-16. Another port is Makassar Port located in Makassar, South Sulawesi, with Route Codes H-1, H-4, T-4, T-7, and T-15.

The fourth benefit is the development of the Home and Stopover Ports of the Maritime Highway Livestock Transport Program. This program aims to support the smooth distribution of livestock feed and livestock, therefore, the livestock transport is continuously provided by the government. Initially, the number of routes and livestock ships available was very limited, with only one livestock ship used to serve 1 route through Kupang – Waingapu – Bima – Lembar – Tanjung Perak – Tanjung Emas – Cirebon – Tanjung Priok – Kupang, as determined by the Ministry of Transportation through the decree SK Dirjen Hubla No. AL.108/1/12/DJPL-16, with rates set by the Ministry of Transportation through Ministerial Regulation No. 26 of 2016.

To maximize livestock transport services, the government has added and modified routes. By 2019, the government had operated livestock ships with six routes serving ports on the islands of Java, Kalimantan, Sulawesi, and Nusa Tenggara. The fleet consists of six units from PT Pelni, PT Subsea Lintas Globalindo, PT Luas Line, and PT ASDP as operators, with two

home ports: Gorontalo Port and Kupang/Bima Port, and 10 stopover ports including Waingapu, Tanjung Priok, Cirebon, Wini, Atapupu, Samarinda, Balikpapan, Banjarmasin, Tarakan, and Palu ports.

The operational pattern of livestock ships for the 2019 fiscal year adopted a port-to-port/multiport operational model. Kupang is the most frequently used home port, with five of the six existing routes passing through it. The decision to make Kupang a home port is because East Nusa Tenggara is a major center for producing cattle, particularly Bali cattle, both as slaughter and breeding livestock. Approximately 85% of all transported livestock is shipped to Jakarta and West Java each year to meet meat consumption needs (Jermias et al., 2016).

The fifth benefit is the development of connectivity in Special Economic Zones, Tourism Industry, and Tourist Destinations. To accelerate economic development throughout all economic regions of Indonesia, both in the western and eastern regions, the government has implemented various strategies. Apart from the Maritime Highway program, it is an initiative to build economic areas focused on various regions, considering the potential space and resources available, both natural and human resources.

Like other countries becoming economically more vital, such as India and China, Indonesia needs to have an economic center. The government carries out this strategy by establishing Special Economic Zones (SEZs), areas with certain regional boundaries, to carry out economic functions and obtain specific facilities. The SEZs were first initiated in 2009, developing from various economic zones in 1970 known as Free Trade Zones and Free Ports, 1972 Bonded Areas, and in 1989 Industrial Zones. In 1996,

the Integrated Economic Development Zone (KAPET) was developed, and in 2009, the development began under the term Special Economic Zones (SEZs).

Initially, SEZs started with 50 areas and by May 2017, there were 11 special economic zone areas in the archipelago, namely Sei Mangkei SEZ, Tanjung Lesung SEZ, Tanjung Api-Api SEZ, Morotai SEZ, Mandalika SEZ, Palu SEZ, Bitung SEZ, Maloy Batuta Trans Kalimantan (MBTK) SEZ, Tanjung Kelayang SEZ, Sorong SEZ, and Arun-Lhokseumawe SEZ. In 2018, there was an increase. Seeing the surge in foreign nationals visiting for tourism purposes, this made SEZs for tourism one of the priority options in SEZ development, integrated with the Tourism Industry as a tourism zone designated to support entertainment and recreation, meetings, exhibitions, and various other activities. This can be seen with the addition to the SEZ list other than for mining, mineral, and energy sectors, fisheries, plantation product processing, manufacturing, forest product processing, logistics, and others, namely Mandalika SEZ designated for tourism. This adds to the list of special economic zone areas for the tourism sector, namely Tanjung Lesung, Morotai, Mandalika, and Tanjung Kelayang.

Having diverse natural resources, such as coastal areas, small islands, and historical centers from past eras, such as the sites of archipelagic kingdoms and colonial rule, makes Indonesia one of the tourist destinations in Asia and the world. This can be seen from the statistical data graphs from BPS and the Directorate General of Immigration of the Ministry of Law and Human Rights in 2019 regarding the increasing number of tourists, which has been increasing significantly, reaching 16.1 million tourists from various countries, with the most visitors coming

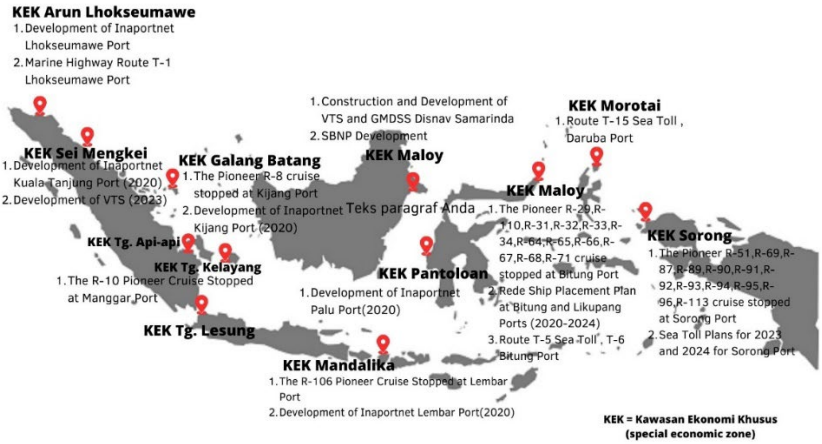
from Malaysia, followed by China, Singapore, and the United Kingdom as the most tourists from Europe, and the United States from the Americas. The average duration of foreign tourists, in terms of days according to their place of residence: the top 10 are dominated by tourists from Russia, the Netherlands, Germany, Sweden, Austria, Belgium, Switzerland, Denmark, Norway, and France (BPS 2019).

Considering the increase in Special Economic Zones (SEZs), the Tourism Industry with the mentioned tourist destinations requires serious attention. Thus, the government, following Government Regulation Number 2 of 2011 on the Implementation of Special Economic Zones Presidential Regulation Number 50 of 2011 on the National Tourism Master Plan for 2010-2025, and Government Regulation Number 12 of 2020 on Facilities and Convenience in Special Economic Zones, began development including accessibility to Special Economic Zones and Tourism for the provision and development of infrastructure, and transportation systems of road, river, lake, and ferry transport, sea transport, air transport, and railway transport to reach the locations that are tourist destinations, even designating strategic areas for the development of five national superior destinations: Lake Toba, Mandalika, Borobudur, Likupang, and Labuan Bajo.

The Ministry of Transportation, as the technical ministry, coordinates policies, programs, and activities to support tourism by creating synergy through synchronization, harmonization, and integration of tourism program implementation, determining strategic steps to overcome obstacles in the implementation of tourism, coordinating planning, execution, monitoring, and evaluation of tourism implementation. This is because it encompasses the duties of providing plans, developing, and enhancing facilities and infrastructure at transportation nodes in the special economic zones and tourism areas, and is an implementation of Presidential Regulation Number 40 of 2017 regarding Cross-Sectoral Strategic Coordination of Tourism Implementation.

Overall, the Maritime Highway program has brought several positive impacts to the development of Indonesia, especially in terms of improving connectivity between regions, supporting the smooth distribution of goods and fuel oil to remote areas, and supporting the development of tourism and the economy in the country. Through the Maritime Highway program, the government hopes to create more equitable economic development in Indonesia, where all regions, including remote areas, can enjoy economic development benefits in the country. By improving connectivity between regions and supporting the smooth distribution of goods and fuel oil to remote areas, the government hopes to create a more integrated and interconnected Indonesia, where all regions can enjoy economic development benefits in the country.

Figure 3. Directorate General of Sea Transportation's support for Special Economic Zones



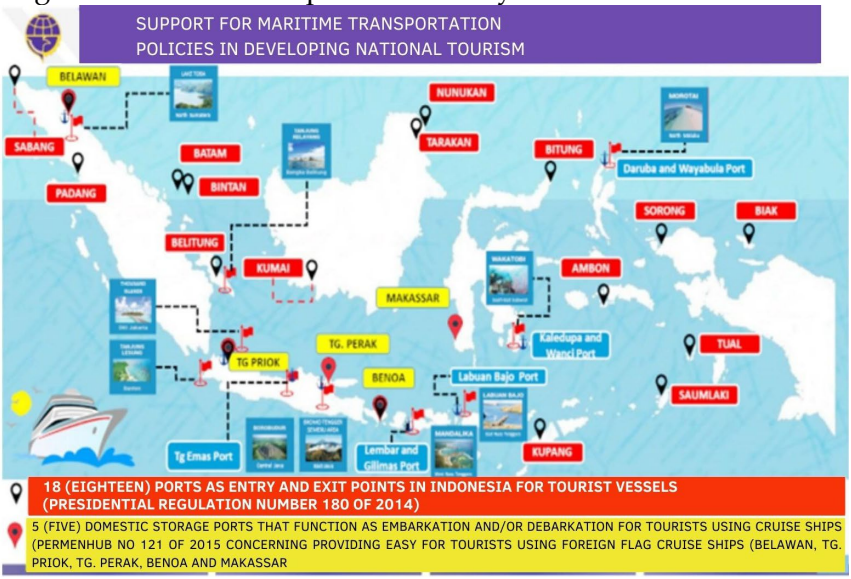
Source: DG Sea Transportation, 2019

With several indicators as parameters, for instance, the share of foreign cargo (exports and imports) by Indonesian-flagged ships, the percentage of Inaportnet implementation, the percentage of e-ticketing and gate-in implementation, the percentage of increased areas visited by subsidized/state budget ships (RS, Maritime Highway, Tourism, Livestock, Pioneer, PSO), etc.

Then, the percentage increase in ship visits, the percentage increase in the national ship fleet, and the increase in sea passenger transport volume, the implementation of the performance program must have targets and priority projects, in order to establish connectivity in the areas of Special Economic Zones (SEZs), and the Tourism Industry and Tourist Destinations, for instance, through the establishment of seven Hub Ports according to the standard criteria of the Integrated Port Network (IPN) such as Belawan/Kuala Tanjung Port,

Tanjung Priok, Tanjung Perak, Makassar, Pontianak/Kijing, Bitung, Sorong.

Figure 4. Marine Transportation Policy in National Tourism



Source: DG Sea Transportation, 2019

Maritime Highway's Policy Agenda

At least, there are eleven agendas to strengthen and ensure the success of the Maritime Highway road policy moving forward. First, there is a need for the development and strengthening of Logistics Centers and Maritime Outlets. The territorial characteristics of Indonesia, which are so extensive and unique, and even vary greatly in territorial characteristics both in terms of natural physical and distance, certainly influence the implementation of Maritime Highway roads to connect all regions from the largest to the smallest, outermost, and foremost

islands. Especially along with economic development and physical construction, including logistics and the utilization of natural/human resources in all regions in Indonesia. The territorial division of Indonesia particularly pertains to economic/investment activity activities, often referred to as large economic areas, namely the Western Indonesia Region/KBI (covering Java, Sumatra, and Bali) and the Eastern Indonesia Region/KTI (covering Kalimantan, Sulawesi, Papua, Maluku, and Nusa Tenggara).

However, in conducting development, the government perceives Indonesia as not only consisting of two large regions, both in terms of economic/physical development and the management of logistics and the utilization of natural/human resources, but there are regions that need serious attention, namely regions with the foremost, outermost, remote and border areas known as the 3TP Region or 3TP, by forming a new ministry, namely the Ministry of Villages, Development of Underdeveloped Regions and Transmigration, through Presidential Regulation Number 12 of 2015.

Up to the second period of his administration, President Jokowi continues to prioritize development in underdeveloped, foremost, outermost, and border areas (3TP), which are outlined in the National Medium-Term Development Plan (RPJMN) 2015-2019. In accordance with Presidential Regulation Number 131 of 2015, the government has designated 122 underdeveloped regions in Indonesia, 103 of which, or 84.4% of underdeveloped areas, are located in Eastern Indonesia.

An underdeveloped region is a district area whose territory and community are less developed compared to other areas on a national scale based on criteria such as community economy, human resources, infrastructure, regional financial capability, accessibility, and regional characteristics. In this case, the Ministry of Transportation also makes efforts to reduce price disparities by designing logistics centers in collaboration with the Ministry of Trade and state-owned enterprises along with the Local Government in the 3TP region. The government has prepared the "*Rumah Kita*" and "Maritime Outlet" logistics center concepts to accommodate goods to stabilize prices. This program is needed as a continuation of the Maritime Highway program to accommodate logistics from the west and east regions to achieve a balance of vessel occupancy coming from the western and eastern regions of Indonesia and gradually align with the toll concept, making Indonesia a Global Maritime Fulcrum and able to compete in global trade.

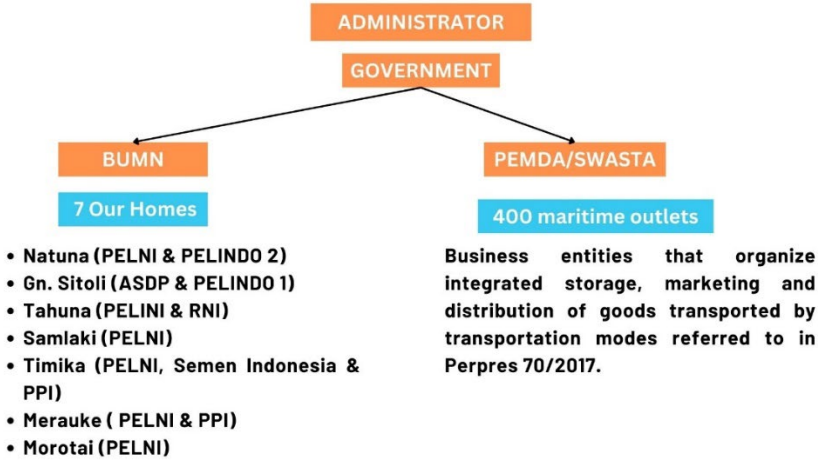
The "*Rumah Kita*" program is regulated in the Minister of Transportation's Letter No. AL.005/4/17/Phb 2017 and Presidential Regulation No. 70 of 2017 concerning the Implementation of Public Service Obligations for the Transportation of Goods from and to Underdeveloped, Remote, Outermost, and Border Areas including Presidential Regulation (Perpres) Number 63 of 2020 concerning the determination of underdeveloped regions for 2020-2024 which was recently established with 62 regions designated as underdeveloped.

This program is a provider of warehouse areas to support the Maritime Highway program and store local commodity products functioning as a distributor/consolidator/retail, with the hope that the "*Rumah Kita*" program as a logistics center can

recruit traders (outside of old traders/players) in the area/location of the logistics center's home base or outside the home base/ports visited by Maritime Highway/hinterland which can coordinate with the local government through the Trade Office.

This program demands the availability of logistics centers to accommodate commodity goods from the surrounding areas of the logistics center. "*Rumah Kita*" can be interpreted as a logistics house, a collecting house, aimed at stabilizing prices. It also functions to consolidate goods along the Maritime Highway route. The goal is to ensure that the goods brought meet the needs of the community around that location. Not only that, "Rumah Kita" will also help increase the load level of return shipments from the Maritime Highway route destinations, because what has been happening is an imbalance of cargo between the Western Indonesia Region/KBI and the Eastern Indonesia Region/KTI. By utilizing the advantages of the geographical and economic characteristics of the Western Indonesia Region which greatly influence the rate of economic growth in Indonesia, because its existence has three large islands namely Sumatra must be able to balance the advantages of the islands in the Eastern Indonesia Region such as in Nusa Tenggara, Kalimantan, Sulawesi, Papua, and 1 archipelago, namely the Maluku Islands including the 3TP Region.

Figure 5. Our Home Organizer (Logistics Center)



Source: Directorate of Sea Traffic and Transportation, Directorate General of Sea Transportation, 2018

The "*Rumah Kita*" program is a synergy between several state-owned enterprises (SOEs), and going forward, PT Pelabuhan Indonesia III (Persero) along with Bulog and PT. Pelayaran Nasional Indonesia (PELNI) plan to prepare logistics and commodity centers as well as cheap and efficient goods transportation, especially in the Eastern Indonesian region and even in the 3TP area. At present, several "*Rumah Kita*" centers are already operational. In addition to being used as logistics centers, "*Rumah Kita*" also requires commodity management parties to transport goods to distribute these commodities to other regions.

Similarly, the "Maritime Outlet" is a form of participation and support from the Ministry of Trade in utilizing Maritime Highway which is expected to increase the smooth flow of goods, enhance inter-island trade, and maintain the availability of goods in accordance with the mandate of Law Number 7 of 2014 on Trade and Presidential Regulation Number 71 of 2015 on the Determination and Storage of Basic Necessities and Important Goods.

This work program is in line with the government's work program in the provision of public services for goods transportation as stipulated in Presidential Regulation Number 70 of 2017 regarding the Provision of Public Service Obligations for the Transportation of Goods from and to Underdeveloped, Remote, Outermost, and Border Areas, which functions as a temporary storage place for basic necessities and important goods after being unloaded from the ship and accommodates superior local products to be transported as return cargo before being loaded on the ship. This is an effort to encourage an increase in economic activities and production in the forefront, outermost, remote, and border areas. The issue that has been developing so far is the high freight transportation costs because there is no return cargo, which triggers or drives simple economic activities and production in the respective regions.

Second, the development and strengthening of Integrated Marine and Fisheries Centers. Located between the Pacific and Indian Oceans and crossed by the equator, Indonesia occupies a strategic position with the largest marine biodiversity in the world. The economic potential of marine resources and services is very large, including shipping with related service businesses, fisheries, maritime tourism, maritime industry, energy and

mineral resources, marine structures, and maritime services.

Out of the seven sectors mentioned, including in the concept of Indonesia's maritime development which is greatly influenced by the vast territory of Indonesia, which are marine waters, are fisheries and other maritime services. The Minister of Marine Affairs and Fisheries, Susi Pudjiastuti (2014-2019), stated that the fisheries sector contributed 2.51% to the Gross Domestic Product (GDP) in 2015 and 2.56% in 2016 (accessed from https://www.merdeka.com on July 18, 2018).

Through the tourism sector, the country's foreign exchange reserves in 2016 increased by 106.97% from the set target of IDR 172 trillion with a realization of IDR 176-184 trillion (13.8 billion USD) and contributed 4.03% to the GDP (Bureau of Planning and Finance, Ministry of Tourism Secretariat, 2016). Meanwhile, the infrastructure in Indonesia, especially the number of ports and terminals in 2017, totaled 3,294 consisting of 1,283 special terminals and self-interest terminals and 2,011 public ports/terminals which are differentiated into 111 commercial ports (managed by PT. Pelindo I-IV, BP Sabang, BP Batam), 1,864 non-commercial ports (managed by the government), 36 public terminals (managed by BUP) (see Directorate of Ports, Directorate General of Sea Transportation 2017). Meanwhile, Indonesia's connectivity index ranking in the sea transportation sector in 2017 increased to 72 compared to 75 in 2016 and 82 in 2015. Despite increasing each year, the ranking is still lower than that of Malaysia and Thailand (Kristini, 2019).

However, realizing independent and advanced fisheries and maritime services management certainly faces various obstacles and problems, such as limitations in port loading and unloading equipment and inadequate port labor, limited container and reefer container subsidies, the lack of storage/holding warehouses. There are also still mismatches in the types of goods transported with the pr ovisions, misuse of Maritime Highway facilities by traders who do not yet have recommendations, inadequate data collection through packing lists and manifests.

Next, the problems faced include less effective commercial ship routes compared to through land access (South Aceh), ship schedules, routes, and travel times that do not match the schedule, damage to ship components, mismatch of the types of goods transported by Maritime Highway, lack of socialization related to Maritime Highway program, ongoing doubts among business actors/entrepreneurs about the continuity of Maritime Highway program, lack of reefer containers in Maritime Highway program, private shipping companies still monopolizing prices, the distance of the hub ports (Tanjung Priok and Tanjung Perak) which results in high shipping costs.

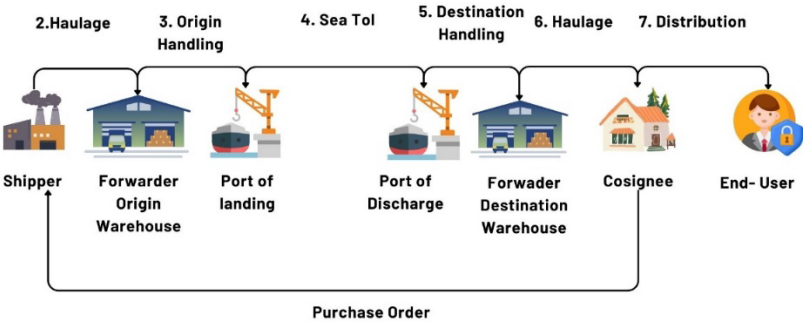
In the implementation of the Maritime Highway, a synergy between institutions in accelerating public welfare through the development of independent and integrated islands from the maritime and fisheries aspects will undoubtedly have performance indicators as a reference, including increasing people's income, fisheries production, investment value, the amount of credit disbursed, variety of processed products, the utility of fish processing units (UPI), and export value. By supporting programs from other ministry agencies, such as the Ministry of Maritime Affairs and Fisheries in developing

outermost islands and border areas as Integrated Maritime and Fisheries Centers (SKPT), especially in this Maritime Highway program, the most serious attention is the 3TP region area, making the SKPT program very strategic as an actual embodiment of the third Nawa Cita, which is "building Indonesia from the periphery by strengthening regions and villages within the framework of a Unitary State."

Third, the development and strengthening of the Cargo and Ship Space Information System. The existence of the Cargo and Ship Space Information (IMRK) application is expected to improve Maritime Highway program services, especially in the business process of reducing price disparities between regions in Indonesia and maintaining the type of cargo transported and preventing cargo monopoly. Building a single end-to-end portal for all users, providing records of all traceable transactions, providing tracking & monitoring of vessels & assets that can be accessed by all users.

The benefits of IMRK for operators are reducing marketing costs, efficiency and transparency, reducing risks, and providing 24/7 online services, while goods owners will get 24/7 convenience, flexibility, easy processes, and quality services. IMRK is also an aspect of controlling price disparities through the utilization of IMRK data for monitoring selling prices by first- and second-layer distributors. The company that will handle this IMRK must be able to select the priority of transporting basic necessities and important goods, be able to select the Shipper (users of Maritime Highway subsidies) and be able to select the Consignee (users of Maritime Highway subsidies).

Figure 6. Business Process for the Movement of Basic and Important Goods

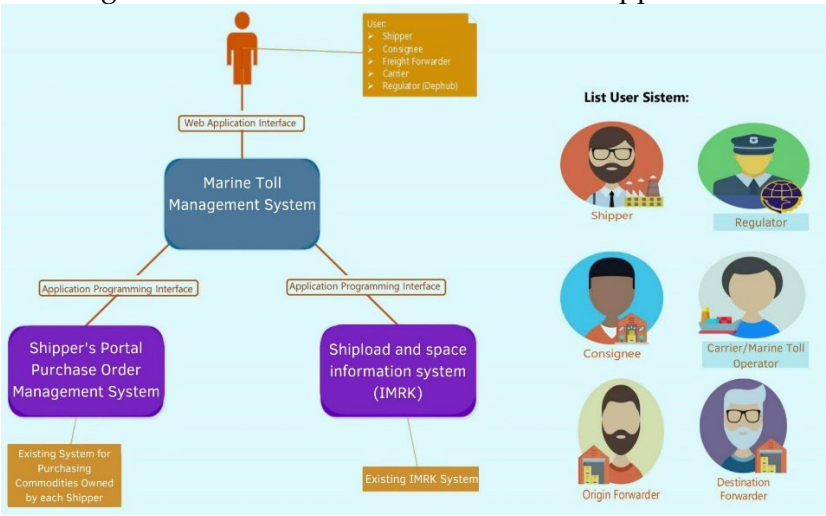


Source: Ditlala, DG Marine, 2019

Logistics distribution is related to the information needed by operators and resellers, this includes information on cargo space and ships for service users and providers in accordance with the level of need for goods that will be needed in the destination area so that it can reduce marketing costs, be efficient, reduce risks, and services can be 24 hours online. In its implementation, all documents related to shipping will also be included in the data collection, such as documents de-generated by the system, including: Purchase Order, a document created by the consignee to indicate the goods they want to buy from the seller/shipper; Commercial Invoice, a list of the value/price of goods listed in the packing list; Packing List, is a document of the packing system list; Bill of Lading (B/L), a letter/document issued by the Shipping Line/Freight Forwarder for each export goods shipment, functions as proof of goods collection at the destination; Cargo Acceptance, is a document of conformity of goods receipt with B/L; Shipping Instruction/SI, is a work order document to the carrier to transport the exporter's goods until they reach the importer's destination.

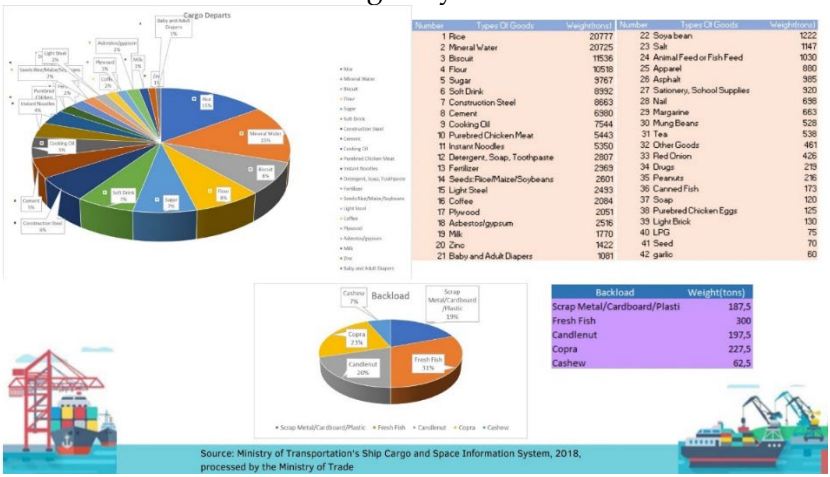
In its implementation, this IMRK will certainly involve several parties, starting from the Ministry of Transportation, Ministry of Trade, Regional Government, and ship operators. In this case, the Ministry of Institutions plays a role in preparing the budget for transportation cost subsidies and setting Maritime Highway routes every year, while the Ministry of Trade plays a role in data collection of types of regional needs goods, monitoring, and reporting price developments as well as evaluation.

Figure 7. Overview of Interaction in the Application



Source. Telkom Nutech 2019

Figure 8. Payload Data Achievement and Realization of Departure and Return Payload of Freight Transport at Sea on Maritime Highway Routes 2018



Number	Types Of Goods	Weight(tons)	Number	Types Of Goods	Weight(tons)
1	Rice	20777	22	Soya bean	1222
2	Mineral Water	20725	23	Salt	1147
3	Biscuit	11536	24	Animal Feed or Fish Feed	1030
4	Flour	10518	25	Apparel	880
5	Sugar	9767	26	Asphalt	985
6	Soft Drink	8932	27	Sationery, School Supplies	920
7	Construction Steel	8863	28	Nail	698
8	Cement	6980	29	Margarine	663
9	Cooking Oil	7544	30	Mung Beans	528
10	Purebred Chicken Meat	5443	31	Tea	538
11	Instant Noodles	5350	32	Other Goods	461
12	Detergent, Soap, Toothpaste	2807	33	Red Onion	426
13	Fertilizer	2969	34	Drugs	219
14	Seeds: Rice/Maize/Soybeans	2601	35	Peanuts	216
15	Light Steel	2433	36	Canned Fish	173
16	Coffee	2084	37	Soap	120
17	Plywood	2051	38	Purebred Chicken Eggs	125
18	Asbestos/gypsum	2516	39	Light Brick	130
19	Milk	1770	40	LPG	75
20	Zinc	1422	41	Seed	70
21	Baby and Adult Diapers	1081	42	garlic	60

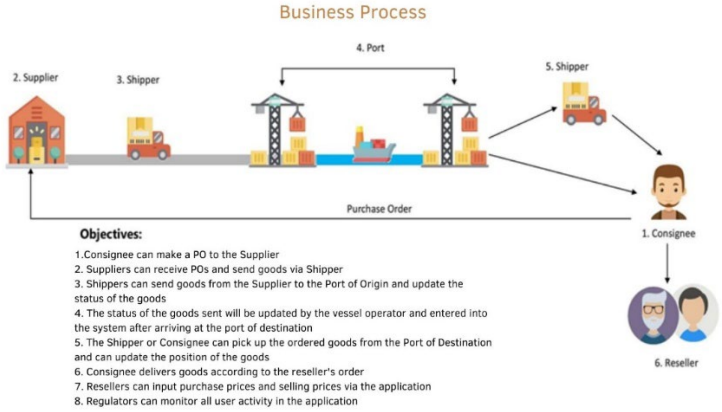
Backload	Weight(tons)
Scrap Metal/Cardboard/Plasti	187,5
Fresh Fish	300
Candlenut	197,5
Copra	227,5
Cashew	62,5

Source: processed by the Ministry of Trade, 2018

The Regional Government plays a role in data collection, monitoring the types of goods and price developments, and fostering business actors in the region, as well as ship operators are responsible for preparing transportation equipment and the best service according to the established routes and on a regular basis. This is intended for the availability of measurable and up-to-date information from the region that will be the destination of the logistics distribution in the implementation of Maritime Highway Logistics System.

Fourth, there is a need to develop and strengthen the logistics communication system. The Logistic Communication System (LCS) is a system expected to be able to monitor the implementation of public services from the first mile to the last mile, and the outcome of price disparities between the western region of Indonesia (KBI) and the eastern region of Indonesia (KTI) can be achieved, with the aim of providing a Logistic Distribution Tracking system from suppliers to resellers that can be accessed by users or stakeholders based on their access rights and provide information on price disparities between purchases and sales from Maritime Highway distribution program that can be monitored by the government.

Figure 9. Goods Movement in Basic and Essential Business Activities

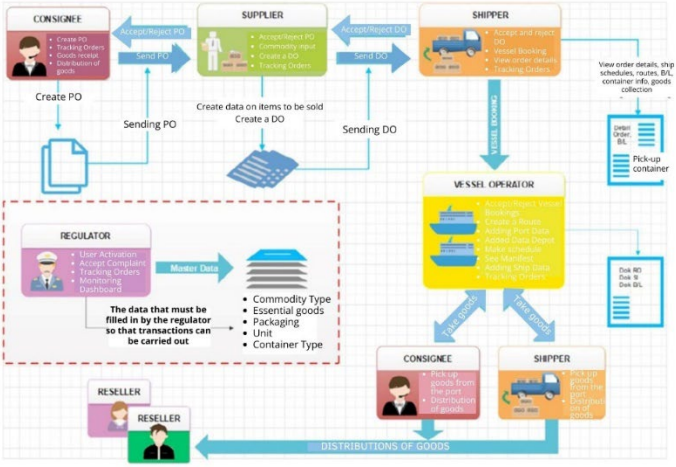


Source: Telkom Nutech, 2020

With the service features on the LCS application, the number of orders and the realization of goods orders, cargo and quotas on each route can be monitored. LCS is also capable of monitoring price disparities from item names, selling prices, and unit prices, knowing the realization targets for each route per year, knowing the travel time of each route, knowing the total orders for each priority type and the most cargo per year, knowing the total voyages for each route per year, knowing the total containers at each port, knowing the coordinate positions of the ships used on the route, and knowing the number of registered users.

In its implementation, users in this Logistic Communication System consist of Consignees who also act not only as recipients but also as orderers; Suppliers as providers of goods to be ordered; Shippers as senders and also as receivers at the destination port; Vessel Operators as transporters of cargo from the loading/origin port to the unloading/destination port, and Resellers as sellers in the community/consumers, as well as the Regulator in this case the Ministry of Transportation as supervisors and mentors for the sea transportation process on ships and at ports. The Ministry of Trade plays a role in the data collection of types of regional necessities, monitoring and reporting on price developments and evaluations, and the Ministry of Home Affairs through the Regional Government plays a role in data collection, monitoring types of goods and price developments, and fostering business actors in the administrative region.

Figure 10. Business Process Flow of the LCS Application



Source: Telkom, 2020

Fifth, the development and strengthening of the Online Delivery Order. The movement of goods at the port within Business Shipping certainly cannot be separated from detailed cargo documentation according to the stages of the flow of the goods movement because it is one unified chain in a logistics ecosystem, be it local, national, or even international. This is in order to ensure the safety and security of the goods during the loading and shipping process, so that the quality of the goods/cargo remains maintained and also protects and preserves the confidentiality of information in the cycle of goods/cargo movement that is so busy and dynamic at the port.

At present, the most fundamental for imported goods at the port is the existence of Standard Operating Procedures (SOP) for the implementation of the Online Delivery Order (DO Online) as part of the cargo document when the goods are at their destination. The Online Delivery Order (DO Online) is

established based on the Regulation of the Minister of Transportation Number 120 of 2017. The DO Online must be able to collaborate with the system owned by the Directorate General of Sea Transportation, Indonesia National Single Window/INSW, and the systems of related stakeholders at the port.

The scope of the DO Online system includes transporter company data, transporting ship data, transporting shipping agent/shipping line data, container data in full implementation includes the process of sending notice of arrival from the sea transport company to the transportation management service company/owner's representative of the goods, DO requests up to SP2 so that the flow process of the cargo to the recipient can be controlled by knowing the data of the recipient and the condition of the goods/cargo.

Figure 11. Legal Basis for the Implementation of Delivery Order on Line

Source: Directorate of Sea Traffic and Transportation, DG. Sea Transportation, 2019

Sixth, the development and strengthening of Inaportnet. The emphasis on the importance of continued connectivity after the Maritime Highway ships have transported goods to the destination ports in the 3TP area and the operation of Supply Chain Management and Distribution Channel Management in the transportation world is a part of the shipping system in water transportation and port affairs mandated in Law number 17 of 2008. In a narrow sense, it is the knowledge of information technology on how the application of digitalization on Maritime Highway cargo in the use of road transportation, river transportation, lake and crossing, and air transportation can ensure the goods the community needs. It can reach the most remote areas according to the natural conditions and available infrastructure according to several policy direction instruments in the implementation of the Maritime Highway program prepared by the Ministry of Transportation, including:

1. procurement of new ships,
2. routes determination from base ports to various cities and islands in the 3TP and KTI areas,
3. determination of Maritime Highway ports, especially the pilot project,
4. subsidies for both Maritime Highway ships and livestock ships,
5. addition of port loading and unloading facilities in the 3TP and KTI areas, such as forklifts, reach stackers, and Rigid Truck Containers, there are also containers entering villages using mini containers, and
6. supporting IT systems such as IMRK as a digital platform for reserving container bookings/shipping instructions online to delivery order online to transparency and anticipate monopolies, and later can be collaborated with

the Inaportnet system and Simlala service, even the domestic trade surveillance system owned by the Ministry of Trade.

Inaportnet, made of three words, namely Indonesia Port Network, is an online service application system technically from the ship sending data from the loading port until the ship leaves the port. So, it can be concluded that Inaportnet ship and goods is an electronic single service information system based on the internet to integrate applications in the field of port services standard in serving ships and goods from all related agencies or stakeholders at the port (including the service system of Port Business Entities / BUP, PBM movement, JPT and Terminal Operator). The purpose of implementing this Inaportnet are:

1. improving the smooth flow of goods at the port
2. as a step towards transparency of service time and fees charged
3. easily and transparently tracking documents and containers
4. reducing logistics costs by cutting DO management operational costs
5. improving the quality of documents and paperless administration
6. service that is faster from 1-3 days to 30 minutes
7. cheaper and easier services
8. improvement of goods services at the port
9. management of data and accuracy of shipping information and manifest.

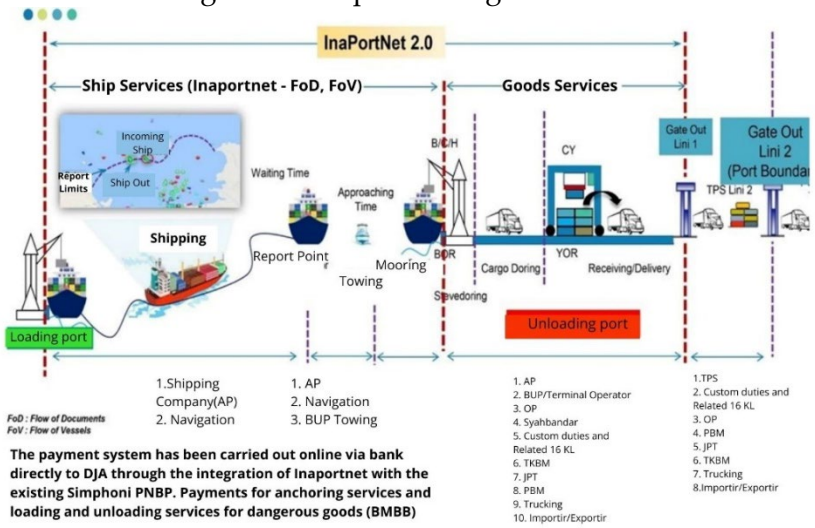
And the main pillars of Inaportnet, which are integrated parts in providing data and information are:

1. AP Interface, is one part of the Inaportnet system consisting of several modules used by port service users (shipping agents, loading and unloading companies, and transportation management services) to apply for ship and goods services at the port,
2. Integrated Service System (Simpadu), is an integrated service or licensing system in the field of sea transportation traffic at the Technical Implementation Unit office of the Directorate General of Sea Transportation online,
3. Harbor Master Approval Letter (SPS), is a service system for approval letters or permits in the field of harbor affairs at the Technical Implementation Unit office of the Directorate General of Sea Transportation Online,
4. Container Monitoring Service, Dashboard monitoring for monitoring and tracking containers by the owners of goods and officers can monitor the time goods unload until exiting line 1, DO release, B/L number, and the position of the container in the field,
5. Dwelling Time Monitoring, Dashboard monitoring that can display calculations of how long on average the container is in the CY until it exits from Line 1.

The legal framework for the implementation of Inaportnet refers to the regulations related to maritime transportation and port services, namely Law Number 17 of 2008 concerning Shipping and its derivative regulations. The Ministry of Transportation through the Directorate General of Sea Transportation in conducting service innovations for service users to face the

Industrial Revolution 4.0. This regulation is one of the legal bases so that services in the Ministry of Transportation, in this case, the Directorate General of Sea Transportation can be carried out electronically, integrated, and continuously with the hope that the data obtained is guaranteed its validity and can be accounted for quickly and accurately.

Figure 12. Ship and Freight Services



Source: Directorate of Traffic and Sea Transportation

Seventh, the development and strengthening of Simlaka. The obligation of regular Maritime Highway public services in 2019 has transported essential and important goods through small ports, each with its unique challenges, such as regions located in the mountains, deep in rivers and forests without available road access. Furthermore, it is necessary to ensure that the cargos transported by Maritime Highway ships in the future are connected with other modes of transportation, using river, lake, and crossing vessels (SDP) and pioneer cargo planes (air bridge program), even with ships on commercial routes.

This presents a distinct challenge for the future, requiring collaboration in meetings and connectivity between modes in the "Beyond Maritime Highway" program, by synergizing with other technical directorates in the Ministry of Transportation such as the Directorate General of Sea Transportation, Directorate General of Land Transportation, and Directorate General of Air Transportation, as well as other ministries like the Ministry of Trade, the Ministry of State-Owned Enterprises, and the Ministry of Finance. The issues go beyond just providing ships and airplanes, but also how to unify transportation documents such as Shipping Instructions, Packing Lists, Bills of Lading, Delivery Orders, etc., with service management/freight forwarding/state-owned enterprises that can collaborate for end-to-end or door-to-door shipment of goods, reaching the most remote areas of the country. This is the basis for launching the Maritime Transportation Traffic Management Information System (Simlala) to facilitate shipping companies in submitting online service licensing applications, thus simplifying and accelerating the licensing process. Through Simlala, the regulator facilitates monitoring the public service application process, aiming to realize standardized and transparent public services in the maritime sector, especially in support of the Maritime Highway program.

The Marine Transportation Traffic Management Information System, or Simlala, is a web-based application used for submitting online public service requests for maritime traffic and transportation, facilitating the monitoring of the public service application process to realize transparent and standardized services. Its scope includes public services in the field of maritime traffic and transportation to support maritime

transportation management and business. The marine traffic and transportation public services provided through Simlala include:

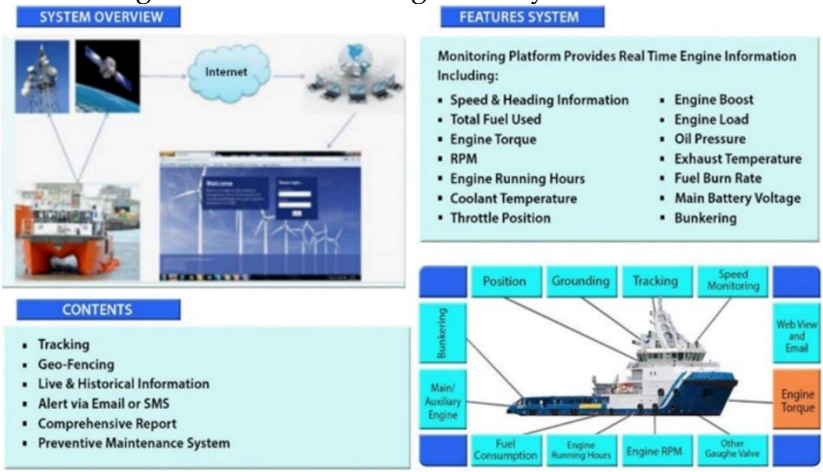
1. Approval/issuance of business license recommendations comprising Siupal, Siopsus, and SIUPKK
2. Approval of branch office opening
3. Approval of national ship specifications
4. Endorsement of Siupal/Siopsus
5. Company data amendments
6. Approval of routes comprising RPK liner and tramper
7. Approval of commissions and deviations in domestic maritime transport
8. Approval for additional port calls
9. Approval for additional cargo urgency
10. Approval for foreign ship agency
11. Approval for operating national ships abroad
12. Approval for deviations of national ships abroad
13. Approval for the operation of national ships abroad
14. Approval for liner status of foreign maritime transport ships
15. Approval for the operation of national ships for cross-border maritime transport
16. Approval for Certificate of Owner Representative.

Eighth, the development and strengthening of the Vessel Management System. To improve Maritime Highway services, several initiatives can be undertaken, both from the government's perspective and from operators delegated with tasks and authority by the government. One improvement that can be made is the need for digitalization services for ships participating in the Maritime Highway program in terms of maintenance and repair, considering the movement of ships in

several regions, especially pioneer ships entering areas with shallow waters or unpredictable natural conditions.

The services to be initiated are Vessel Management Services, which include requests for berthing and anchoring, the use of loading and unloading equipment, ship engine maintenance and repair, fuel needs according to the travel distance, and monitoring the movement of ships and cargo during the journey and in the port, even addressing damages occurring at sea

Figure 13. Vessel Management System Process



Source: Processed from various sources, 2020

Figure 14. *Mobile Monitoring*

Source: Telkom, 2020

Just like the process of goods movement in the LCS application, this application in the ship service also has the ability to monitor fuel consumption, this is to be able to suppress the operational burden of ships so that fixed costs and the component of ship fuel subsidies in the Maritime Highway program can be efficient, considering the limited budget, and this is a manifestation of communication from ship operators, in this case, the captain, about the operational process of the ship wherever it is considering the characteristics of the waters in Indonesia are very diverse and the needs that are urgent or emergency.

Ninth, appreciation for performance achievements. One of the indicators of performance achievements and the success of the Maritime Highway is measured in output, in the form of how many ports are visited by the Maritime Highway route, how many loads can be transported, and the impact (outcome) on the community economy such as the price disparity of basic and important necessities. The Directorate of Traffic and Sea

Transportation, as a technical directorate assigned to manage the Maritime Highway program, scrutinizes the development of each route through monitoring and evaluation (monev) activities every semester, semi-annually.

As a form of appreciation for the hard work of all parties involved in the implementation of the Maritime Highway cargo transportation program, pioneer transportation, and livestock transportation, the Directorate General of Sea Transportation of the Ministry of Transportation, awards the actors of Maritime Highway cargo transportation services, pioneer transportation, and livestock transportation, local governments, and company operators who operate the Maritime Highway program ships with the best performance for one semester, given since 2019.

The award to the Maritime Highway ship operators with the best performance for Semester I in 2020 is given in three categories: (1) the category of operators with the most load factors; (2) the category of operators with the most loads, and (3) the category of operators with the best voyage achievement performance. Apart from ship operators, awards are also given to local governments for all their efforts in implementing the Maritime Highway goods and livestock program as well as the maintenance of pioneer ships so that they can work optimally.

The awards granted to the Local Government and the Maritime Highway Operators are a form of appreciation from the Ministry of Transportation through the Directorate General of Sea Transportation to provide motivation to improve Maritime Highway Cargo, Livestock, and Pioneer Transportation services. The recipients of the awards for semester 1 performance achievements in 2020 are as follows:

a. Maritime Highway Operators
    1. The category with the most total cargo, with a total load of 1,407 TEUs was achieved by PT. Pelni (Persero)
    2. The category with the highest load factor of 88.67% was achieved by PT. Djakarta Lloyd (Persero)
    3. The category with the most voyage achievements (realization achievements compared to voyage targets) was achieved by PT. Temas Tbk.
b. Local Government with the most departing loads
    1. Morotai Island Regency, total departing cargo 381 TEUs through Morotai Port with PT. Pelni operator
    2. Sangihe Regency, total departing cargo 341 TEUs through Tahuna Port with PT. Pelni operator
    3. Nunukan Regency, total departing cargo 309 TEUs through Nunukan Sebatik Port with PT. ASDP operator
    4. Tanimbar Islands Regency with a total cargo of 287 TEUs through Saumlaki Port
    5. Banggai Regency with a total cargo of 252 TEUs through Luwuk Port.
c. Local Government with the most return cargo senders
    1. Morotai Island Regency, total return cargo 408 TEUs through Morotai Port with PT. Pelni operator
    2. Sangihe Regency, total return cargo 170 TEUs through Tahuna Port with PT. Pelni operator
    3. Central Halmahera Regency, total return cargo 117 TEUs through Weda Port
    4. West Halmahera Regency with a total cargo of 107 TEUs through Jailolo Port
    5. South Halmahera Regency with a total cargo of 92

TEUs through Pulau Obi Port

d. The award for private operators with the best load factor for special livestock transportation was achieved by PT. Pelayaran Wirayuda Maritime which operates KM. Camara Nusantara 2, transporting 4,041 cattle with seven voyages.

Tenth, the need for Expansion of Routes and Routes of Maritime Highway Ships. The Directorate General of Sea Transportation continues to strive to develop Maritime Highway ship routes to meet the needs of the availability of necessities, important throughout the region in Indonesia. As known, one of the performance achievements is the increasing connectivity index measured from the comparison of the number of Ports visited by Maritime Highway ships and the number of Ports that have been built, especially in remote, outermost, foremost and border areas (3TP). For example, nearing Eid al-Adha where there will be an increase in the demand for sacrificial animals.

The Directorate of Traffic and Sea Transportation responded to the request of the Riau Government to meet the supply of cattle before the Eid al-Adha holiday, by making a deviation of the KM ship route. Camara Nusantara-2. The ship transported 550 head of cattle, departing from Tenau Port, Kupang in East Nusa Tenggara on July 19, 2020, heading to Dumai Port, Riau. Riau Province and arrived on July 26, 200. Especially for Kepri Province, every Eid al-Adha requires additional cattle supply, and about 70 percent must be brought in from outside the province. Similar conditions also occur in several regions such as Bengkulu, and East Kalimantan, which, like Riau, do not have regular livestock ship routes.

Requests for additions to livestock ship operation routes can be made because in principle, all livestock ships can be used to transport livestock to all regions of Indonesia. Considering the availability of government subsidy budgets, the livestock ship routes are conducted to areas with routes planned the previous year. These routes and voyages are determined based on proposals from the sending and receiving regions. Nonetheless, if there are requests for route deviations during the year, it can be done if there are proposals from the sending and receiving regions and approved by the Directorate of Marine Traffic Transportation and the Directorate of Livestock Product Processing and Marketing in the Ministry of Agriculture.

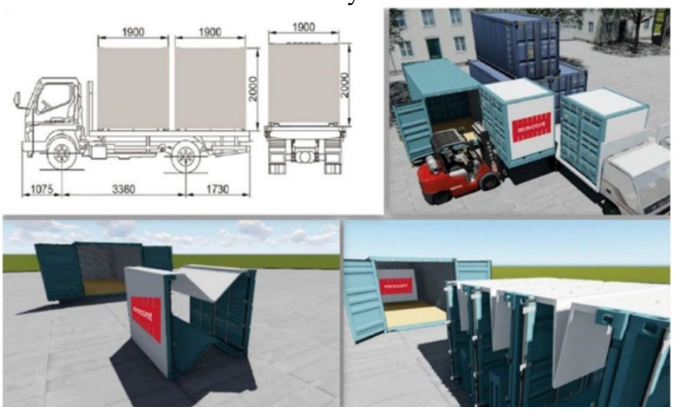
Eleventh, implement mini containers into villages. Currently, the organization of Maritime Highway logistics transportation is not only port to port (from port to port) but has been developed to end to end (directly to consumers) and also has a current subsidy service with berth to berth service for 2019 and 2020, meaning that ideas or methods need to be considered aside from the types and kinds of ships, there should also be a container or tool used so that goods in logistics transportation can reach the right target, allowing the community to experience affordable prices. The government, through the Directorate General of Maritime Transport in the Ministry of Transportation, and the Directorate of Traffic and Maritime Transport, initiated a program called "containers into villages" in collaboration with the Maritime Research Institute Nusantara (MARIN).

The government also encourages the integration of Maritime Highway modes with land modes, both river transportation and road transportation that can serve cargo transportation so that the logistics distribution process can cover end-to-end, starting

from the goods seller to the goods receiver. Below is a description of End-to-End Connectivity through multimodal transportation. To support the end-to-end connectivity program, mini containers are needed to reach areas with limited access to loading and unloading equipment at ports and road access. This mini container was chosen as a shipping means in the "Container Entering Village" program due to its flexibility and efficiency, where this container can be folded, saving space during the return of empty containers.

As many as three mini-containers can be inserted into a 20-feet container, while eight folded mini-containers can be placed inside a 20-feet container. Therefore, it is expected to reach remote areas that cannot be passed by large trucks. Below is the design and dimensions for the mini container that will support the improvement of container services towards remote villages. The subsidy pattern applied to the obligation of public service for cargo transportation at sea or Maritime Highway Logistics is by providing subsidies for the transportation of goods from the loading port to the unloading port (port to port) with a scope of activity of moving goods from the dock of the loading port to the dock of the unloading port (berth to berth) or on freight charges and stevedoring costs, so it is expected to reduce the burden of financing shipment of goods through sea ships. On routes served by commercial container liner ships, subsidies are given by entrusting containers, where the government pays half the freight cost for containers containing goods. Whereas on non-commercial routes where there are no container ships serving ports in 3TP areas, the government provides full subsidies for ship operations including the provision of ships and operational costs of ships (fixed and variable costs).

Figure 15. Minicon Conceptual Design for End to End Connectivity Services



Source: Pelindo Marine Service, 2019

The logistics costs to 3TP areas, from end to end involving multimodal transportations, are expected to receive transport subsidies in the future. These subsidies are anticipated not only to be allocated for sea transportation but also for land, river, and air transportation.

The use of mini containers to enhance the connectivity of Maritime Highway road logistics has already been implemented for the shipment of three tons of Bulog rice from the Tanjung Perak Port to Bitung using a main ship with a capacity of 100 TEUs. The shipment was continued with KM. Kendhaga Nusantara 1 heading to feeder ports. From the feeder ports, the delivery continued using mini containers towards local feeder ports utilizing the pioneer vessel KM. Sabuk Nusantara 95. The shipment was further carried out using the LCT ship with a Gross Tonnage (GT) of 50 and the Pelra ship with a GT of 35 towards the surrounding small islands.

Conclusion

The dynamics of maritime developments around the world, particularly in the Asia-Pacific region, have shifted in the first decade of the 21st century in terms of economy, politics, and security. This includes changes in the shipping world such as an increase in the fleets of commercial ships with various types, region-based maritime economy, food security through marine product processing, development of artificial islands, and the management of islands or outermost, coastal, and border areas, shifting focus from the transatlantic region to the Asia-Pacific region.

It is an unavoidable reality that Indonesia, with its strategic location geographically situated at 06° 04′ 30″ North Latitude and 11° 00′ 36″ South Latitude, and between 94° 58′ 21″ and 141° 01′ 10″ East Longitude, intersected by the equator and the equatorial line situated at 0° latitude, must be able to compete and cooperate, even showcasing its significant role as a maritime fulcrum by maximizing all potential resources. This involves managing the economy from the peripheries like management and empowerment of 3TP (Underdeveloped, Frontier, Outermost, and Border) regions.

Nearly five years since the initiation of the Maritime Highway program by the government, significant achievements have been noted, including the creation of new connectivity in remote, outermost, underdeveloped, and border areas. This is evidenced by an increased number of stopping ports, a larger distribution of logistics, especially essential goods compared to previous times, and a reduction in price disparity in several areas. This indicates a rapid leap in economic development in the frontier

and outermost regions, particularly those directly bordering countries in the Southeast Asia and Pacific regions.

However, many aspects of this program need to be improved and enhanced in the future. Many evaluations conducted by various agencies, ministries, institutions, and stakeholders still find that in the Maritime Highway program, there are regions unable to reduce price disparities due to their remote locations from ports, necessitating further modes of transportation to reach the recipients of goods.

Along with Indonesia's economic development and the dynamic strategic maritime developments in the Asia-Pacific region, and the community's needs, it can be concluded that the Maritime Highway program has become a necessity that did not exist before. Although the existing program is good, it still has shortcomings, is not yet efficient, and has not achieved 100% of its target. The people in the 3TP areas have felt the presence of the Maritime Highway Logistics program, bringing hope for the availability of basic human needs and the hope of balancing trade between the western and eastern regions, enhancing local industry outputs, and better economic development than before. Regarding the reservation of ship cargo space using the IMRK application, where every registered shipper can book cargo space directly without quota restrictions without considering the readiness of the goods, there needs to be an improvement in IMRK by limiting the maximum quota for each shipper. If the shipper cannot ship the amount of goods as per the cargo space booking, the cost for the unused booked space cannot be refunded.

Furthermore, concerning the price disparity, the Maritime Highway program is still focused on the shipping or distribution process, while the condition/prices of goods at the unloading ports cannot guarantee a reduction in prices. Moreover, the goods transported are owned by shippers, so the government cannot directly regulate the prices of goods at the destination ports. This necessitates the development of the Maritime Shop and Our House program, which not only acts as a storage warehouse for Maritime Highway goods but also sells goods directly to consumers. In addition, the transported goods must be marked as Maritime Highway goods, so consumers can ensure that the prices are lower than the market prices.

In other words, goods transported through the Maritime Highway should belong to the government, transported by the government, and distributed by the government through state-owned enterprises or private parties who can ship goods through the Maritime Highway, provided the goods sent are marked as Maritime Highway goods. Another approach is to establish a Maritime Highway trademark with a variety of goods ranging from basic needs to building materials, where the selling price between one region and another is similar or not vastly different.

The next obstacle, such as development in regions, is still hampered if building materials cannot all be transported using the Maritime Highway, while several areas in Indonesia highly depend on the Maritime Highway ships because commercial ship routes have not yet reached those regions. The needs for goods in one area are very different from others, so the government needs to allow other regions to meet needs outside the types of goods already determined through recommended

goods submitted by the local government to the Ministry of Transportation. Moreover, it would be better if the government or appointed state-owned enterprises carry out the shipping to the sale of all types of required goods, facilitating oversight and supply of various goods for the frontier, outermost, and underdeveloped areas, making them more diverse.

To enhance the performance of goods shipment through the Maritime Highway, the relevant parties with authority over dominant factors must improve and enhance sectors such as port infrastructure, multimodal transportation, container costs, and tariff regulations. However, changes or improvement efforts will not support the Maritime Highway if the implementation does not follow existing regulations. Therefore, collaboration is needed between parties with authority in conducting oversight, especially port authorities who have the power to inspect the standard operational procedures for issuing shipping instructions and booking ship cargo space in carrying out public service obligations for sea freight transport.

The Maritime Highway Program is not only about providing ports and ships but also about multimodal connectivity, one of which is the availability of modes for river and lake transportation (ASDP) and continuous improvements in the logistic system and balancing supply and demand in every existing ecosystem. This requires synergy and integration between ministries, transportation business actors, and regional governments to achieve its goal of the Maritime Highway as the forefront of connectivity in Indonesia's Global Maritime Fulcrum vision.

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CHAPTER 7:
TOL LAUT POLICY IN THE EASTERN PART OF INDONESIA

CHAPTER 7:
MARITIME HIGHWAY POLICY IN THE EASTERN PART OF INDONESIA

Fajar Gumelar

Introduction

Indonesia is an archipelago with the largest maritime territory and the second-longest coastline in the world. Furthermore, Indonesia's waters are rich in potential energy reserves, fishing potentials, and marine tourism prospects, and they encompass strategic shipping routes that can be leveraged as a basis for developing marine geopolitical, economic, and cultural strength.

President Jokowi's Vision and Mission for long-term development has strongly emphasized maritime development. In line with this direction, the Ministry of Transportation, in collaboration with Bappenas and state-owned enterprises, has completed the planning concept of the Maritime Highway and its supporting elements. The Maritime Highway is a solution proposed to reduce price disparities arising between Java and other regions in eastern Indonesia. This is realized by providing affordable, regular, and scheduled shipping services. The Maritime Highway aims to stimulate economic growth. Unlike previous policies where connectivity was established after economic activity, the present connectivity is built if there is potential to spur new economic centers' growth. The Maritime Highway is considered adequate if regional growth is distributed (Vitasari, LN.2017).

President Joko Widodo of Indonesia solved the price disparity issue between Indonesia's western and eastern regions by launching the Maritime Highway program. The Maritime Highway is a logistics distribution route system using cargo ships with scheduled routes from the westernmost to the eastern end and from north to south of Indonesia. The Maritime Highway aims to develop the maritime economy, making the sea a foundation for connectivity in production and marketing between regions/islands in Indonesia and regionally. The government hopes that logistic costs, which have been a critical factor in the price disparities between Java and non-Java islands, can be lowered with this program. Doing so will ensure the stability of goods and commodity prices across regions (Andilas, Yanggana. 2017).

The operation of the Maritime Highway by PELNI has specific assignments, among others, to suppress price disparities with target indicators, including the accessibility of logistics distribution to the Outermost, Remote, Frontier, and Border regions (3TP) and the availability of goods to reduce price disparities, enhancing community welfare.

As a state company that serves inter-island sea transportation, PT PELNI plays a strategic role in the wheels of the economic and social life of the archipelago community. Considering PT PELNI's strategic role, through the Ministry of Transportation, the Government provides assignments as a public service obligation or PSO, a subsidy to the Maritime Highway fleet, allowing ships to sail regularly even if their cargo is empty. (Ministry of Transportation, 2015). By receiving the PSO, PT PELNI must operate the ship routes designated by the

government to ensure that areas with limited transportation access are served.

Public Policy

According to Simatupang (2003), policies can be differentiated into public and private policies. Public policy is a collective action realized through the government's legitimate authority to encourage, inhibit, prohibit, or regulate private actions (individuals or private institutions). A private policy is an action by an individual or private institution that does not impose on another person or institution. Public policy has two main characteristics. First, it is created or processed by governmental institutions or based on procedures set by the government. Second, it is mandatory or influential on the private actions of the wider community (public).

Public policy determines the form of life of every nation and country. All countries face relatively similar problems; how they respond to these problems differs. This response is called public policy. Since public policy is dominated by the state or government or the holder of state power, public policy is a factual form of every government's effort to manage the collective life called "state" and "nation" (Nugroho, 2018).

Public policy concerns the state's capacity to carry its citizens - the nation's carrying capacity. Public policy is "... any state or government (as the holder of the authority) decision to manage public life (as the sphere) to achieve the mission of the nation (remember, a nation consists of two institutions, state, and society)." put, public policy is "... every decision made by the state, as a strategy to realize the state's objectives. Public policy

is a strategy to guide society from its early stages, transitioning society towards the envisioned society." (Nugroho, 2018: 39).

Policy evaluation is an activity to assess the consequences or impacts of policies from various government programs. In policy evaluation studies, a distinction has been made between "policy income/impact" and "policy output." Policy income/impact refers to the consequences and implications arising from implementing a policy. On the other hand, "Policy Output" refers to what has been produced due to the policy formulation process of the government (Islamy, 1986).

Distribution

Distribution transfers goods from the production site to various places or areas in need. Kotler (2005) defines distribution as the planning, execution, and supervision of the flow of materials to obtain the final product from the production site while gaining profit. Most companies state that distribution aims to bring goods in the correct quantity, at the right time, and at the lowest possible cost. The most critical aspect of product distribution is transportation cost and transportation rates greatly influence the transportation cost. Thus, high transportation costs will narrow the market area of a product. The length of the marketing distribution depends on several rates, including:

1. The distance between producers and consumers, meaning the further the distance between the producer and consumer, the typically longer the channel the product will go through.
2. The life-saving period of a particular product or how quickly a product deteriorates, meaning products that

deteriorate quickly or easily, must be received by consumers immediately, thus requiring a short and fast channel.

3. The scale of production, meaning if production occurs on a small scale, the product produced is also tiny, so it will not be profitable if the producer sells it directly to the market.
4. The financial position of the company. Producers with solid financial conditions tend to shorten the trade channels. For effectiveness, daily asset operations must implement strategies developed based on supply chain structure and automation. The process brings the right product to the proper outlet and customer at the right time.

There is a possibility of error if the target fails to meet 100 percent of customer demands. Inventory must be available in the right place at the right time every day without fail. With the proper inventory, other distribution processes will be able to operate. Express delivery is a rare exception. In principle, the inventory must be in the right place at the right time to operate every day.

Industrial Economics

According to KKBI, Industry is an activity of processing or producing goods using facilities and equipment. According to Law No. 5 of 1984 concerning Industry, it is an economic activity that processes raw materials, semi-finished goods, and finished goods into higher-value goods for their use, including industrial design and engineering activities. Industrial economics is the study of the economic aspects of the industry, namely the market and company aspects. Industrial economics aims to explain

development methods in the economic sector. Industrial Economics is a branch of microeconomics that studies the relationship between market structure, industrial behavior, and industrial performance.

Industrial economics studies market structure and company behavior, which emphasizes empirical studies of factors affecting market structure, behavior, and performance. Industrial behavior in this research will be analyzed descriptively. Industrial behavior analyzes the behavior and application of strategies used by companies in an industry to capture market share and defeat competitors. Industrial economics is a specific expertise in economics. This subject helps explain why markets need to be organized and how organizing them affects how the industrial market works. Industrial economics studies the market structure and company behavior, emphasizing empirical studies of factors affecting market structure, behavior, and market performance (Jaya, 2001).

Maritime Highway

The definition of Maritime Highway is a concept of marine logistics transportation aimed at connecting the major ports in the archipelago. The creation of connections between Indonesia's seaports creates smooth goods distribution to regions that are inaccessible or yet to be reached. According to Presidential Decree Number 70 of 2017, the Maritime Highway is effective sea connectivity in the form of ships sailing regularly and scheduled from West to East Indonesia. The Maritime Highway aims to reach and distribute logistics to underdeveloped, remote, outermost, and border areas and ensure the availability of goods and price disparity to improve public welfare.

The Maritime Highway is a marine transport concept to improve marine logistics transportation, impacting easier distribution processes and even staple goods prices throughout Indonesia. This Maritime Highway is not just a toll road on the sea but a seamless shipping route connecting regions through ports in Indonesia (Ari, M.2020).

Objectives of the Maritime Highway Policy

The Maritime Highway policy established by the Government aims to reduce price disparities between the East and West by providing shipping cost subsidies for Full Container Load (FCL) and general cargo shipments to specific ports through routes with predetermined schedules using designated ships. Thus, the FCL shipment cost for the eastern part of Indonesia becomes cheaper, and eventually, the selling price of goods in the destination market is reduced. The subsidized goods shipment must comply with Presidential Decree No. 71 of 2015 Concerning Determination and Storage of Basic and Important Goods and the Regulation of the Minister of Trade of the Republic of Indonesia Number 57/M-DAG/PER/8/2012, namely:

1. Agricultural products: rice, soybeans, chili, red onions.
2. Industrial products: sugar, cooking oil, wheat flour.
3. Livestock products: Broiler chicken eggs, broiler chicken meat, beef.

The implementation of the Maritime Highway following the Presidential Regulation of the Republic of Indonesia Number 106 of 2015 concerning the Implementation of the Public Service Obligation for Sea Freight explained that to ensure the

availability of goods and reduce the disparity in prices for essential and vital goods between the Java and outside Java regions. The operation of scheduled, fixed, and regular (liner) voyages is required. The procedure for handling Maritime Highway cargo involves several related parties following the Standard Operational Procedure (SOP) as follows:

1. The Ministry of Transportation acts as the task giver in accordance with the Ministry of Transportation Regulation No. PM 4 of 2016, where the obligation to provide public services for sea freight transportation is regulated in a contract between the Commitment Making Officer of the Directorate of Traffic and Sea Transport with the CEO of PT. Pelayaran Nasional Indonesia (Persero), which also serves as the provider of port facilities and loading and unloading equipment.
2. The Ministry of Trade acts as the executor of marketing and verification of cargo. It determines the types of cargo that can be transported by the Maritime Highway, which includes staple goods and essential goods. It provides shipping instruction and controls the market prices at the destination.
3. PT Pelayaran Nasional Indonesia (PT. PELNI) acts as an operator with the responsibility of transporting from container yard to container yard (CY to CY).

The three government agencies are collectively responsible for:

1. Providing transportation for underdeveloped, remote, outermost, and border areas according to the established routes while ensuring and maintaining the safety and security of navigation.

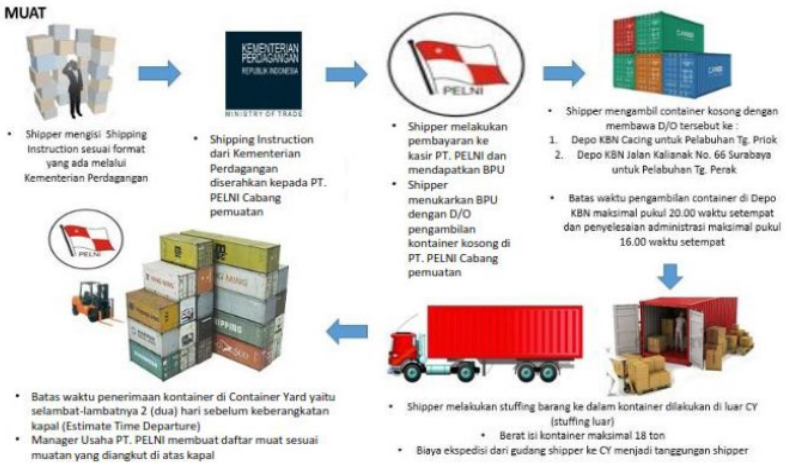
2. Ensuring the availability of goods and suppressing price disparities of staple and essential goods between Java and areas outside Java.
3. Conducting scheduled, fixed, and regular (liner) voyages.

The procedure for handling Maritime Highway cargo involves several related parties following the Standard Operational Procedure (SOP) as follows:

1. The shipper fills out the shipping instruction in the prescribed format through the Ministry of Trade.
2. The shipping instruction from the Ministry of Trade is handed over to the community through a designated handling agency.
3. The shipper makes a payment and then obtains a D/O (Delivery Order) to collect the Empty Container from the Depot.
4. The shipper retrieves the empty container by bringing the D/O to the Depot.
5. The shipper does the Stuffing of goods into the container outside the Container Yard (external stuffing).
6. The weight of the container contents is a maximum of 15 tons.
7. The cost of shipping from the shipper's warehouse to the Container Yard is borne by the Shipper.
8. The deadline for receiving filled containers at the Container Yard is no later than 2 (two) days before the ship's departure (Estimated Time of Departure).
9. 9. The designation of a single Hub Port and cargo consolidation in the Eastern Indonesia area ensures that large Maritime Highway ships from the western region

do not need to reach all ports in the eastern region. (Rochyana, Susanti, Wahyuni & Asri.2018).

Systematically, the procedure for handling Maritime Highway cargo can be seen in the following diagram:



Developing Maritime Highway for Indonesia as the Global Maritime Fulcrum, Especially in Eastern Indonesia.

The utilization of Maritime Highway is guided by eight concepts:

a. Strengthening Indonesia's role in international logistics and trade.
b. The Maritime Highway applies the concepts of Front Area and Inner Area to open inter-regional access.
c. Concepts of Hub (collector) ports and Feeder ports to create local and national shipping integration.
d. The Pendulum Route concept comes with seven alternative routes, starting by determining the national

hub ports based on regional distribution and loading potential.

e. The development of twenty-four supporting Maritime Highway ports through six concepts: international-standard port development, dredging of hub port pools and channels, increasing feeder port draft, modernizing loading and unloading facilities and equipment, applying INSW expansion, and restructuring and rationalizing port service rates.
f. Development of Shipyard to support the Maritime Highway fleet.
g. Procurement of Primary and Supporting Elements for Maritime Highway management, such as port development, hinterland development, establishing regular and routine routes with the pendulum concept, and supporting elements like navigation facilities, patrols, human resources, and other supporting infrastructure.

These concepts illustrate the government's plan for the Maritime Highway program toward maritime sovereignty. President Jokowi has committed to restoring Indonesia's maritime glory by promoting inclusive development, shifting from “Java-centric” to “Indonesia-centric,” one of which is achieved through the development of the Maritime Highway, a strategy to reduce price disparities and ensure equitable economic development throughout Indonesia. And Maritime Highway development financing collaboration is a priority. This aligns with Meter and Horn (Nugroho, 2018) where one variable influencing performance is resources. This is supported by George C. Edward (Nugroho, 2018), where clear policy communication is only effective with adequate implementer resources. These

resources can be human or financial. This mirrors Grindle's (Nugroho, 2018) sentiment on policy success depends on adequate resource support.

Several efforts are needed to balance national transport with locally oriented transport:

1. Encourage Regional Road Financing Through Cost Sharing:
   There is a need to boost regional road financing by adopting a cost-sharing scheme that involves contributions from both the national budget (APBN) and regional budgets (APBD) for strategic roads. Alongside this, a gradual introduction of regulations for a road preservation fund is recommended.
2. Provision of Special Allocation Funds (DAK) for Integrated Transportation
   An integrated approach to the Special Allocation Funds in transportation is essential. This should include provincial, district/city, and non-status roads linking strategic zones and growth centers. Safety, security, and transport facilities tailored to regional characteristics are also vital.
3. Balanced Role of Transportation Modes
   An equilibrium between different modes of transportation is crucial. Advocacy for the progressive development of railways and maritime transport can gradually shift the dependence from road to rail and sea.
4. Expand National Transport Infrastructure and Services
   To minimize deficits and bridge transportation disparities across regions, there is a need to develop and expand networks that include roads, airports, railways,

seaports, ferries, river and lake docks, pioneer ships, buses, water buses, and economy trains primarily in interior, border, and outermost areas.

5. New Routes and Service Enhancements
   Opening new routes, optimizing service frequencies, and integrating the management of subsidies for pioneering transport with the Public Service Obligation (PSO) is essential. This includes subsidies for pioneering buses, sea, river, lake, ferry, air, and railway transport.
6. Effective Port Integration and Improved Performance
   For ports to function efficiently, effective integration is required alongside improved performance. This means better management practices and enhanced port capacity.
7. Accelerate Border and Outermost Areas' Infrastructure Development
   Speeding up the development of transportation infrastructure in border areas and the outermost regions is crucial for better connectivity and national integration.
8. Upgrade Main Airports
   Enhancing the capacity and quality of airport services by constructing and developing airports, especially in national activity centers (provincial capitals) and regions with economic and tourism potential, is essential.
9. Develop Remote Area Airports
   For remote, interior, and disaster-prone areas, there is a need to enhance airport capacity by extending runways and developing passenger terminals.
10. Procure Pioneering Aircrafts and Ships
    Investing in procuring pioneering aircraft and ships will boost the accessibility and connectivity of remote and strategic areas, facilitating growth and development.

For Maritime Highway Ship Operational, recommended efforts include:

1. Dynamic routes following trade patterns.
2. Selection of ship type and size considering trade commodity development and water conditions.
3. Preparation of Human Resources supporting Maritime Highway program.
4. Using warehouses in port areas to support the Home Program.
5. Port facilities compatible with Maritime Highway Ship types and sizes.
6. Better control to ensure the correct Maritime Highway subsidy recipients.
7. Ports visited by Maritime Highway should also be developed as logistics service centers.
8. Synchronization between ship operators, BUMN Trading Logistics, Entrepreneurs, and the Ministry of Trade.
9. Marking/Identification for Maritime Highway goods.
10. For container ship operations, an adequate number of containers is needed.
11. Ship conditions related to maintenance and repair ensure smooth voyages.
12. The cost of dock workers in the region should be more efficient to reduce basic goods prices.
13. Private shipping companies should be given opportunities to participate in Maritime Highway to promote the independence of the national shipping industry.

The inclusive development paradigm promotes equitable economic growth. One of the primary instruments of this paradigm, as envisaged by the Indonesian government, is the accelerated development of the maritime toll (Maritime Highway). This approach is intricately connected with the Nawacita, which is a nine-point plan envisioned by President Jokowi and Vice-President Ma'ruf Amin to realize Indonesia's potential and ensure prosperous growth for its people.

Three of these Nawacita points in particular align with the maritime toll development:

Strengthening Maritime Identity (Nawacita Point 1): The phrase "memperkuat jati diri sebagai negara maritim" translates to "strengthening the identity as a maritime nation." As an archipelago with strategic maritime routes, Indonesia has a long history connected to the sea. Developing the maritime toll will not only foster growth but also re-emphasize Indonesia's maritime identity, ensuring that the nation's oceans play a pivotal role in its development and prosperity.

Empowering the Peripheries (Nawacita Point 3): The commitment to "membangun Indonesia dari pinggiran dengan memperkuat daerah-daerah dan desa dalam kerangka negara kesatuan" can be interpreted as "building Indonesia from the outskirts by strengthening regions and villages within the framework of a unitary state." This underscores the focus on decentralizing growth, empowering remote areas, regions, and villages. The maritime toll aids in this by ensuring that goods and services can be transported effectively to and from even the most remote islands, bridging the economic disparity.

Economic Self-reliance through Domestic Sectors (Nawacita Point 7) emphasizes "realizing economic independence by mobilizing strategic domestic economic sectors." The maritime toll, by improving logistics and transportation, can bolster various domestic sectors, from fisheries to tourism, by creating more efficient supply chains and improving access to markets. According to Saragi, Mamahit, and Prasetyo (2018), the maritime toll is not just a project of infrastructure. It is emblematic of Indonesia's broader goals of equitable development, national unity, and economic self-reliance. Through initiatives like the Maritime Highway, Indonesia aims to harness its maritime potential, ensuring growth that benefits every island, region, and citizen.

Agenda

The development of the To Laut route faces several obstacles and challenges that need to be addressed in the future. Hence, a collaborative effort from all parties is vital to ensure the success of this program and realize Indonesia's vision of becoming the Global Maritime Fulcrum. As a spokesperson from the Ministry of Transportation expressed:

> "The Maritime Highway program offers a valuable lesson, maturing the nation in managing integrated maritime logistics, learning from mistakes and weaknesses, constantly evolving, and driving improvements and innovation."

With the Maritime Highway program, it is hoped that economic activities will flourish, making the seas a safe, affordable, and comfortable means of driving the country's economy. This aligns

with the Maritime Security Theory, where maritime security ensures that all sea-based economic activities remain free from threats causing financial losses and loss of life. As President Jokowi stated in his speech after his inauguration at the MPR building on October 20, 2014:

> "As a maritime nation; the ocean, the sea, is the future of our civilization. We have long turned our backs on the sea, the ocean, and the straits and bays. Now is the time to reclaim them all, so that 'Jalesveva Jayamahe', we are triumphant at sea, echoing our past motto" (President Jokowi's Inauguration Speech, October 20, 2014).

Therefore, the agenda to strengthen the Maritime Toll policy, especially in the Eastern region of Indonesia, includes:

a. High Logistics Costs
   Relevant parties managing the maritime toll program should standardize and revamp logistic service fees, especially in the most disadvantaged areas. Regulations regarding logistics costs throughout Indonesia should be established, along with sanctions for violators.
b. Limited Secondary Transportation Modes
   The government should also provide subsidies and supervision in empowering secondary transportation modes in disadvantaged areas and stimulate private sectors to participate.
c. Sub-optimal Management and Policy of Operators
   PT. PELNI should re-evaluate the welfare of the crew members by considering their health insurance, leave, and the slow response of the operators to the ship's needs.

d. Limited Port Facilities in Eastern Indonesia
   With the growing number of Maritime Highway routes each year, the government should expedite the development of port facilities.
e. Violations in Maritime Highway Implementation
   There should be strengthened oversight of maritime toll operations to prevent issues like monopolistic behaviors.
f. Routes with Few Passengers
   Ship operators should focus on areas with a higher number of passengers.
g. Lack of Government Socialization with the Public
   The public isn't fully aware of how to utilize the maritime toll program, leading to cleanliness and security issues on ships.

Conclusion

Indonesia, the world's largest archipelago, with its strategic position, should naturally harness its geographical advantage for the nation's benefit. President Jokowi emphasized Indonesia's concept as the Global Maritime Fulcrum, focusing on maritime toll development. The findings indicate that the Maritime Highway development has shown progress despite various challenges faced. The driving factors include Indonesia's geographical condition, price disparity reduction, even distribution of essential goods, coordinated planning, integrated development, and collaborative financing. Conversely, the obstacles involve mindset towards the sea, sectoral ego, suboptimal shipping, inadequate port conditions, underdeveloped shipbuilding industry, operational issues, prolonged land acquisition, and insufficient facilities in disadvantaged and border areas. To address the challenges faced

in the development of the Maritime Highway, several recommendations have been proposed:

a. integrating growth centers with logistic distribution routes
b. ensuring the readiness of all regions and local governments involved
c. adopting a clear and measurable planning process
d. prioritizing accelerated regional development and human resource readiness
e. fortifying institutional capacities by both establishing and bolstering community institutions through dedicated training and education

Meeting these suggestions will likely lead to smoother goods distribution, enhancing trade, reducing the price disparity between Western and Eastern Indonesia, advancing the national economy, and further fostering economic growth and poverty alleviation.

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CHAPTER 8.
TOL LAUT POLICY & MARITIME BUSINESS

CHAPTER 8.
MARITIME HIGHWAY POLICY & MARITIME BUSINESS

I Made Wahyu Sandika Putra

Introduction

The "Maritime Highway" is a government policy aimed at reducing the disparity or price inequality between Eastern and Western Indonesia by subsidizing the shipping costs of goods. The goods referred to are those in line with Presidential Regulation No. 71 of 2015 on the Stipulation and Storage of Basic and Important Goods and the Regulation of the Minister of Trade of the Republic of Indonesia Number 57/M-DAG/PER/8/2012. Additional goods types were added through the Ministry of Trade Regulation Number 38 of 2018, article 3, paragraph 1, bringing the total number of goods types that Maritime Highway can transport to 42 types.

The subsidy funds allocated by the government are significant annually. According to Wihana K. J. (2021) in his book "Institutional Economics: A Case Study of the Transportation Sector," the average budget for the Maritime Highway subsidy is around 300 billion, with fluctuations, and the highest increase occurred in 2018, amounting to 447.6 billion. This was due to the addition of routes. The shipping routes at the start of the Maritime Highway in 2015 covered three routes and have increased annually. By 2021, Maritime Highway served 32 routes throughout Indonesia, including the 3TP, Papua, and West Papua. This program must provide adequate infrastructure and fleet numbers to enhance the country's logistic connectivity and

accelerate development distribution. Maritime Highway aims to develop maritime economics, making the sea a connectivity base for production and marketing across regions/islands in Indonesia. Moreover, development with the concept of ship promotion to trade is necessary to achieve distribution. The development of connectivity in Eastern Indonesia is expected to boost its economic, maritime, and trading activities.

The Maritime Highway is implemented with supporting elements such as the port development program and the pioneer shipping route program, both passenger and goods, with various types of ships. Technically, ships serving the Maritime Highway program are liner voyages where each ship's schedule and route are predetermined.

This Maritime Highway policy program could be better. Several issues are still burdening the government and maritime business stakeholders involved in the Maritime Highway. One noticeable issue is the imbalance between outbound (West to East) and return (East to West) loads. As per the Transportation Minister, Budi Karya Sumadi, the Maritime Highway operators, both state-owned and private, must ensure a shipload round-trip occupancy rate of at least 60%. However, Maritime Highway ships usually only carry 10% of the load on the return trip. This statement is consistent with that of Andilas & Yanggana (2017), stating that fully loaded ships transporting goods to the Eastern region often return to Java nearly empty.

Another issue is the prolonged dwelling time for ship operations in Indonesia, impacting the Maritime Highway. In principle, whether loaded or not, the ship must sail according to the predetermined schedule and route. However, on the ground,

things are different. Limited loading and unloading facilities often force ships to wait longer, causing them to deviate from the schedule. Price disparities remain high. This price disparity issue is not solely the responsibility of the maritime transport sector. However, it involves collaboration across various sectors, such as sea and land transportation, trade, public works, etc. Although the Maritime Highway program has shown positive performance each year, indicated by decreasing goods prices, prices remain higher compared to Java. This discrepancy arises from subsequent transportation activities. The Maritime Highway program only serves shipments from one port to another (Port to Port), benefiting coastal communities, while those in the hinterland still receive higher-quality goods.

Maritime Highway Management of PT PELNI

PT Pelni, a state-owned enterprise engaged in marine transportation, currently operates 26 passenger ships that dock at 83 ports and serve 1,100 routes. Furthermore, Pelni also serves 45 pioneer ship routes, providing accessibility for the mobility of residents in the T3P area, stopping at 275 ports (Mediatama, 2020). Within the Maritime Highway itself, PT PELNI has been trusted to serve 9 routes, namely:

1. Route T-19 served by KM Logistik Nusantara 2 with the route: Merauke – Pomako - Kokas – Sorong – Supriori/Biak – Depapre/Jayapura.
2. Route T-15 served by KM Logistik Nusantara 3 with route: Tg. Perak - Makassar- Jailolo - Morotai - Tg. Perak.
3. Route T-3 served by KM Logistik Nusantara 4 with route: Tg. Priok - Patimban - Kijang - Tarempa - Pulau Laut - Natuna - Subi - Serasan - Midai - Tg. Priok.

4. Route T-10 served by KM Logistik Nusantara 5 with route: Tg. Perak - Tidore - Morotai - Galela - Maba - Weda - Tg. Perak.
5. Route H-1 served by KM Logistik Nusantara 6 with the route: Tg. Perak - Makassar - Tahuna - Tg. Perak.
6. Route T-14 served by KM Kendhaga Nusantara 7 with route: Tg. Perak - Lewoleba - Larantuka - Tg. Perak.
7. Route T-13 served by KM Kendhaga Nusantara 11 with route: Tg. Perak- Rote - Sabu - Tg. Perak.
8. Route T-18 served by KM Kendhaga Nusantara 8 with route: Tg. Perak - Badas - Bima - Tg. Perak.
9. Route T-5 served by KM Kendhaga Nusantara 1 with the route: Bitung - Ulusiau - Tahuna - Tagulandang - Lirung/Melonguane - Miangas - Marore - Tahuna - Bitung.

The Ministry of Transportation has appointed PT. PELNI is the executor of the public service obligation in transporting goods as part of the Maritime Highway Program following Presidential Decree No. 2 of 2016. PT Pelni is not the only company in the Maritime Highway program; several other companies like Djakarta Lloyd and some private companies follow it. In proportion, PT. Pelni is considered the backbone due to having the most service routes for a company in this program. Additionally, PT PELNI is a state-owned company. As of August 2021, PT PELNI has transported cargo amounting to 8,164 TEUs, consisting of 5,126 TEUs of outgoing cargo and 3,038 TEUs of returning cargo, experiencing an increase of 68% or rising by 3,316 TEUs in the same period (Official Site of PT Pelayaran Nasional Indonesia (Persero), n.d.). The Maritime Highway program has positively impacted PT PELNI. Observing the track

record over approximately 6 years, several benefits have been gained by the company:

1. Financial Stability
   The state budget issued by the government to subsidize this program ensures PT. PELNI's financial stability. There is a significant difference between outgoing and returning cargo in each voyage, where returning cargo ranges only from 10-30% of outgoing cargo. If only a small amount of cargo is filled, operational costs will be very high, causing the company to incur losses. PT PELNI can be compared to a golden child; if it faces a deficit budget, it simply submits a subsidy proposal to the government. That is why it is said to be safe even if it is at a loss.

2. Building Public Trust
   Public trust in a public transportation service is crucial. The Maritime Highway has positively impacted reducing goods prices, especially in Eastern Indonesia, drawing the public's attention to PT PELNI and making the company more renowned and widely recognized. This impact has given PT PELNI a trusted label in the transportation sector, especially as it is a state-owned enterprise. Due to this public trust, there might be a positive trend for PT PELNI's commercial services outside the Maritime Highway program.

Maritime Business Development

The Maritime Highway program, executed by the Indonesian government, aims to enhance connectivity and reduce price

disparities of goods. This has significantly impacted the community, particularly in the progression of the Maritime Business sector. The resulting benefits include:

1. Creation of Employment in the Maritime Sector
   Expanding the fleet and routes under the Maritime Highway program has opened new employment opportunities in the maritime sector. The development of port infrastructure and procurement of ships to support this initiative has offered chances for the public to work, whether as crew members aboard ships or as port workers in positions like loading and unloading labor, port operators, port security, port health services, and so on.

2. Growth of the National Shipping Industry
   The Maritime Toll program has boosted the transport of goods in eastern Indonesia. With its establishment, new industries have sprung up in various areas, both privately owned and owned by Regional Government Enterprises, utilizing available resources. This has positively impacted the growth of the national shipping industry. Year after year, the shipping industry competes to deliver goods to these new industries, providing competition for the maritime toll program. With the emergence of new shipping industries, the trade scope is expected to cover not just national but international exchanges (exports-imports).

3. Development of the Shipyard Industry
   The rise of the national shipping industry, combined with the addition of fleets and routes in the Maritime Toll policy, has breathed new life into the national shipyard

industry. Naturally, such additions come with demands for services such as ship repairs, maintenance, or even new ship construction. Requests for new or modified ships typically arise from the need to adjust ship types and sizes since conditions vary across Indonesia's regions. Such modifications ensure that the Maritime Toll program runs optimally.

4. Reduction in Logistics Shipping Costs
   The government-subsidized Maritime Toll program has tangibly reduced logistics costs, especially for clothing and food. Based on a survey, the Maritime Toll has decreased prices by 11%-20% for essential commodities. The most significant reductions were observed in commodities like Chicken Meat and Cooking Oil, with a 20% drop (Iqbal Nur et al., 2020). This decrease in logistics costs, achieved by shortening distribution processes (for example, shipping to an island that previously required two ship transfers now only needs one direct transfer through the maritime toll), can attract more businesses to send their industrial products outside their regions. This, in turn, can boost productivity in the maritime logistics service sector.

Policy Agenda

Policy-making is required to provide solutions to existing problems. Experts have put forward several theories about policies. According to Simatupang (2003), policies can be differentiated into public and private policies. Public policy is a collective action realized through the government's legitimate authority to encourage, inhibit, prohibit, or regulate private

actions (of individuals or private institutions). Several policy objectives are to evaluate existing policies for improvement and rectification. The reason for policy evaluation is that every public policy in a group or country carries the risk of failure. The causes of a policy's failure can be divided into two categories: due to "non-implementation" or the non-enactment of a policy and due to being "unsuccessful" or unsuccessful implementation. According Riant Nugroho (2017), in his book "Public Policy Edition 6", states that 3 factors are causing the non-growth of excellent public policies:

1. Not understanding public policy results in "miscreation."
2. Understanding but misapplying because of copying from other countries, referred to as a "me too policy."
3. Knowing the policy, but due to personal solid or group interests that control the rationality of the policymakers.

Riant Nugroho (2017) states that policy analysis is taken from various disciplines to provide descriptive, evaluative, or perspective information. Policy analysis answers three questions: Value, Facts, and Actions. To answer this, policy analysis uses one or a combination of 3 approaches: empirical, valuative, and normative, as shown in the following table:

Approach	Main Question	Type of Information
Empirical	Is there or will there be (fact)?	Descriptive and Prescriptive
Valuative	What are the benefits (value)?	Evaluative
Normative	What should be done (action)?	Prescriptive

Source: Riant Nugroho Public Policy (2017)

Policy, according to the author's thinking based on various approaches and data, is as follows:

1. Evaluation of Shipping Routes
   Currently, the Maritime Highway has operated 32 shipping routes in various regions in Indonesia. These routes could be more effective and efficient in their implementation. Several routes must be evaluated and reassessed for feasibility because, in some routes, it has been found that there is almost no supply of return cargo loaded on ships to be shipped from Eastern Indonesia to the Western Indonesian region. Some routes are considered inefficient and overlap with commercial (private) routes. There needs to be a further study on the calculation of ship operations on a designated route. If a private company route already serves a region, the Maritime Toll should not pass through that region; the Maritime Toll program can reduce routes that are the same as private ones and focus on providing subsequent routes that are not yet available by looking at the cargo potential in that area (demand). This can reduce the government's APBN subsidy costs for inefficient routes. Based on the above description, if analyzed with a policy analysis approach, the following results will be obtained:

Approach	Main Question
Empirical	The existence of Maritime Highway service routes that are not effective and efficient, as well as routes that coincide with commercial (private) shipping routes
Valuative	Can suppress or reduce the state budget subsidy on the operational costs of ships on routes that are not effective and efficient
Normative	- Conduct evaluation on Maritime Highway routes - Deduct routes that are not effective and efficient (effectiveness and efficiency levels are scientifically calculated with data) - Reroute the ineffective and inefficient routes to routes through areas with more potential

2. Addition of Authorized Cargo Types for Maritime Toll
   Until now, the types of cargo allowed to be transported using the Maritime Toll are 42 types of goods. These goods and commodities are regulated in Presidential Regulation No. 71 of 2015 Article 2 paragraph 6 and Minister of Trade Regulation No. 38 of 2018 Article 3 paragraph 1.

The details of these goods are as follows:

Ministry of Trade Regulation Number 38 of 2018 Article 3 Paragraph 1		**Presidential Regulation Number 71 of 2015 Article 2 Paragraph 6**	
Basic Necessities		**Basic Necessities**	**Important Goods**
1. Mineral Water	13. Canned Fish	1. Rice	1. Seed
2. Salt	14. Ready to wear clothes	2. Soybeans	2. Fertilizer
3. Garlic	15. Biscuits	3. Chili	3. LPG 3kg
4. Green Beans	16. Baby & Adult Diapers	4. Shallots	4. Plywood
5. Margarine	17.Detergent/Soap/Toothpaste	5. Wheat Flour	5. Wheat Flour
6. Instant Noodles	18. Stationary	6. Beef	6. Cement
7. Soft Drinks	19. 12 Kg LPG	7. Chicken Meat	7. Steel
8. Medicines	20. Livestock & Fish Feed	8. Chicken Eggs	
9. Vegetables	21. Asbestos	9. Fresh Fish (mackerel, tuna, skipjack, bonito)	
10. Coffee	22. Zinc		
11. Tea	23. Asphalt		
12. Peanuts	24. Nails		

These goods are generally divided into two categories, namely basic necessities and important goods. The selection of these 42 types of goods is considered not yet able to provide a return cargo supply carried by ships from the East to the western region of Indonesia. There needs to be relaxation or addition of cargo types to exploit the natural resources in the eastern region. Some recommended cargo types to add include:

1. Seaweed
   It is one of the recommended commodities. Indonesia has abundant marine natural resources, especially many seaweed farmers. Seaweed is a vital commodity today. This is evident from various products related to daily life that use seaweed as raw material. Seaweed is a versatile product that can be consumed directly or processed into supplements, animal feed, fertilizer, biofuel, cosmetics, medicine, etc. In the ranking of the five highest seaweed producers in Indonesia, four come from Eastern Indonesia.

Tabel 5 The highest seaweed production by province in tonnage

No	Province	Production (ton)
1	Sulawesi Selatan	3.405.848
2	Nusa Tenggara Timur	1.600.028
3	Sulawesi Tengah	932.686
4	Nusa Tenggara Barat	896.760
5	Jawa Timur	686.203

Several regions are renowned for their seaweed production and are actively covered by the Maritime Highway route, including Alor District, Moa District, Rote District, and Sabu Raijua District. The seaweed production data for these regions are as follows:

Tabel Seaweed production based on district in tonnage

Years	Alor	Moa	Rote	Sabu Raijua
2013	86.139	29.279	111.213	134.800
2014	197.465	28.824	145.841	74.721
2015	161.348	28.824	145.840	75.572
2016	161.348	89.422	128.595	48.214

Source: Ministry of Maritime Affairs and Fisheries

2. Coconut

   Geographically, Indonesia is situated in a tropical region, which is characterized by an abundance of coconut trees. Every corner of the country has coconut trees, showcasing the immense wealth of coconut fruit this nation possesses. The eastern region of Indonesia also stands out as one of the largest suppliers of coconut, including areas like Maluku, North Maluku, and Central Sulawesi, among others. Moreover, coconut fruit is rich in benefits that can be utilized daily; almost every part of the fruit can be processed into products such as beverages, crafts, medicinal ingredients, fuel, etc. The Ministry of Agriculture released coconut production data based on provinces through pertanian.go.id. (kementan, n.d.) The following is the coconut production data for provinces in the eastern region:

Tabel Coconut fruit production based on district in tonnage.

Province	Production per Year (tonnage)				
	2017	**2018**	**2019**	**2020**	**2021**
Nusa Tenggara Timur	68.958	69.600	70.149	70.407	68.620
Sulawesi Utara	260.702	262.521	271.808	250.694	265.761
Sulawesi Tengah	187.435	193.898	195.714	195.672	191.598
Sulawesi Selatan	77.358	72.069	70.900	54.802	68.734
Selawesi Barat	36.469	36.644	37.291	37.237	36.551
Sulawesi Tenggara	43.829	42.784	41.100	41.264	40.275
Gorontalo	59.002	58.788	60.863	60.553	59.491
Maluku	102.561	103.002	104.345	103.797	102.078
Maluku Utara	234.153	209.791	210.946	211.405	206.356
Papua	12.892	15.244	15.244	14.804	14.912
Papua Barat	15.594	15.782	16.196	16.217	15.844

Source: Kementerian Pertanian (pertanian.go.id)

From the data mentioned, it is evident that the eastern region of Indonesia holds significant potential in coconut production. Suppose the addition of this type of cargo is made. In that case, it will increase the supply of return cargo that can be transported by ships, and the community can meet the required coconut raw materials in the western region of Indonesia.

Based on the elaboration above, if analyzed using a policy analysis approach, the following results will be obtained:

Approach	Main Question
Empirical	▪ Limited types of cargo that can be transported by the Maritime Highway (according to government regulations) There are potential resources in the eastern region producing products that can be shipped
Valuative	▪ Can improve the local area's economy Can meet the target quantity of return cargo in the Maritime Highway Program
Normative	▪ Issuing or revising regulations that limit the types of cargo that can be transported by the Maritime Highway Adding cargo that is a main product in the area

3. Addition of Routes Based on Cooperation with Regional Governments

   The addition of "Maritime Highway" routes, in order to be more effective and efficient, can be carried out through cooperation with Regional Governments and Regional-Owned Enterprises. The route created has a specific purpose and is temporary, in accordance with the agreement, whether in the short, medium, or long term. The target of this cooperation focuses on regions that already have port infrastructure where ships can dock. If in a new area that does not yet have infrastructure, it will be burdened with high construction costs because this route is temporary in accordance with the collaboration.

With the foundation of this cooperation for the addition of route services, clarity of transportation in the area can be established. On one hand, the role of the regional government is very influential. The regional government can develop and maximize the potential of human resources and natural resources so that the community's industry output can be explored further to obtain higher-value products that can be traded outside the region. This will also increase the per capita income of the community in the region.

Based on the explanation above, when analyzed with a policy analysis approach, the following results will be obtained:

Approach	Main Question
Empirical	▪ There are routes that are not effective and efficient, burdening operational costs and the government's state budget subsidy (APBN)
Valuative	▪ Can suppress or reduce the APBN subsidy on operational costs of ships for routes that are not effective and efficient ▪ Can stimulate increased production resulting from small and medium-sized enterprises (UMKM) or regional government-owned enterprises (BUMD)
Normative	▪ Engage in cooperation for a certain period with local governments and/or BUMD regarding the provision of return cargo supplies that can be transported by the Maritime Highway ▪ Open new special shipping routes for a certain period based on agreements and cooperation between related parties

Conclusion

The Maritime Highway policy implemented by the Indonesian Government has positively impacted the price disparity of goods in the Eastern Region and 3TP in Indonesia, creating national connectivity, advancing the economy in several regions, and fostering development in the national maritime industry. However, this Maritime Highway program still requires evaluation and development from several aspects, including setting shipping routes, port infrastructure, unbalanced return cargo flow, determining the type of goods that can be transported by Maritime Highway ships, and the fleet operation system in the Maritime Highway program. Therefore, policies need to be made to resolve existing issues.

Furthermore, three recommendations are made to enhance the Maritime Highway program and the National Transportation System:

1. The Government and relevant stakeholders need to monitor and evaluate the implementation of the Maritime Highway program, especially shipping routes, to inform further policy for achieving effectiveness and efficiency.
2. The Government should conduct assessments and add cargo types to regulations limiting the cargo type that can be carried by Maritime Highway ships. The goal is to increase the number of return cargo supplies, thereby reducing the operational subsidy burden from the state budget (APBN).
3. In adding new routes or rerouting, notable routes need to be created based on cooperation with the Regional Government and Regional-Owned Enterprises to ensure the amount and type of cargo to be transported when the ship arrives in that region.

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SECTION THREE:
PUBLIC POLICY AND CORPORATIONS 2: MERGER OF PT. PELINDO

CHAPTER 9.
MERGER OF INDONESIA PORT CORPORATION

CHAPTER 9.
MERGER OF INDONESIA PORT CORPORATION

Anwar Ahmad

Introduction

As of October 1, 2021, through the Government Regulation of the Republic of Indonesia Number 101 of 2021 concerning the Merger of the State-Owned Enterprises (BUMN) PT Pelabuhan Indonesia I, PT Pelabuhan Indonesia III, and PT Pelabuhan Indonesia IV into PT Pelabuhan Indonesia II, a merger of four Port Operators into one Port Operator has been executed. The strategic agenda is to determine the benefits of this merger policy for the Indonesian Government, the new state-owned company, and the public who are clients of this company.

Benefits for the Indonesian Government

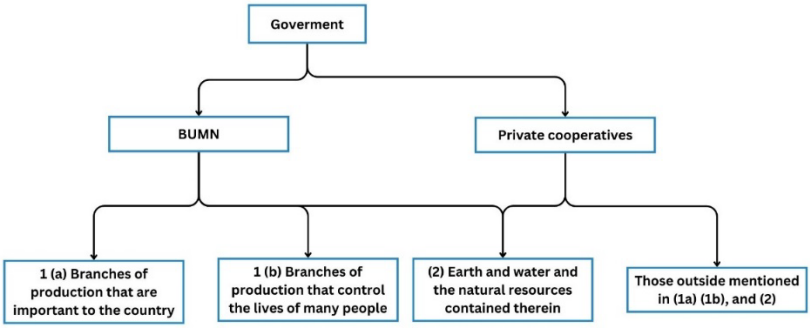
The port industry provides vessel and goods services as a gateway to trade and economic activities of a country or region. The role of ports is crucial to a country's economy. Through the consolidation of PT Pelindo I, II, III, and IV, the Government, as the shareholder, will benefit from the merger of Pelindo I, II, III, and IV. Ports that can be categorized into BUMN are deemed essential for the country, in addition to BUMN producing necessities and public needs and BUMN managing land, water, and natural resources.

The BUMN essential for the country as follow:

Definition	Holding	Subsidiary
Important for the Country	Airport	Angkasa Pura I, Angkasa Pura II
	Port	Pelindo I, II, III, and IV
	National Heritage	Culture & National Parks
	Strategic Industry	Military, Aircraft, Heavy Equipment, Vaccines, Dock & Shipyard, Special Printing, and Underwater Resources
	Food	Fertilizer, Seeds, Estate Fields, Food Stocks and Trading

Source: Korporasi Konstitusional, Riant Nugroho, 2021

The "essential for the country" is strategic (in urgent situations), such as during war or natural disasters, too high a risk, determining national competitiveness, market balancing, historical heritage, and the state's non-budgetary needs.



Source : Korporasi Konstitusional, Riant Nugroho, 2021

Furthermore, the merger of Pelindo will simplify the government's coordination with a single SOE port manager in

Indonesia, where previously, each of Pelindo I, Pelindo II, Pelindo III, and Pelindo IV stood independently as separate entities. The new company formed from the merger, PT Pelabuhan Indonesia (Persero), is a holding of four business clusters that have previously existed in each port, namely: (1) container segment; (2) non-container segment; (3) marine services segment; (4) logistics and hinterland development segment (source: money.kompas.com).

Through the merger of Pelindo I, II, III, and IV, there is potential to increase revenue to the state through dividend payments from the profits of PT Pelindo's business activities and tax revenue from the increasingly more significant business activities of PT Pelindo. PT Pelindo, as the port operator, PT is a public facility that is demanded to run business processes effectively and efficiently.

Benefits for the New Company

Through the merger of Pelindo I, II, III, and IV, the new company will have a total consolidated asset of IDR 112 Trillion with total revenue of IDR 28.6 Trillion. With such assets and revenue, this merged company is globally scaled (Bisnis Indonesia, September 2021). With the merger, the new company, PT Pelindo (Persero), became the world's 8th largest Container Terminal Operator with a total container throughput of 16.7 million TEUs (twenty-foot equivalent units).

The port holding company PT Pelindo (Persero) has obtained an AAA rating from PT Pemeringkat Efek Indonesia (PEFINDO). This rating was given because PEFINDO saw significant government support for Pelindo, a superior market position, and

stable recurring revenue from fixed rental payments, balanced by increased leverage due to capacity expansion. As the port holding, PT Pelindo (Persero) established four sub-holding companies that will manage various business clusters previously run by each Pelindo I, II, III, and IV.
The four sub-holding companies are:

1. PT Pelindo Terminal Petikemas (PLTP) manages container loading and unloading activities.
2. PT Pelindo Multi Terminal (PLMT) manages general cargo, bulk liquid, and dry loading and unloading activities.
3. PT Pelindo Jasa Maritim (PLJM) manages port equipment (crane and ship) operation and maintenance activities.
4. PT Pelindo Solusi Logistik (PLSL) manages other logistics services and port hinterland development.

With the clustering of these business segments, there will be an impact on the formation of standardized business processes and cost efficiency/effectiveness for each sub-holding in running the port business. In addition, integration will increase operational efficiency and capital expenditure (capex), enhance value creation, unify financial resources, improve leverage, strengthen capital, and offer standardized HR capabilities.

One form of efficiency posts the merger of Pelindo I, II, III, and IV is optimizing non-productive assets of each Pelindo, starting with inventorying idle/low utilization production assets and the needs of production assets at ports under the management of the merged PT Pelindo. Later, these assets will be relocated/moved to ports that need them from Sabang to Merauke. With this step,

PT Pelindo will inevitably save capital expenditure (capex) investment costs for the next few years. The merger of Pelindo I, II, III, and IV is considered very appropriate and relevant as a step to adapt to the rapid progress of the industrial sector and information technology advances. As a port operator that plays an essential role in the logistics distribution chain, it will strongly impact the economic growth of a country.

Public Benefits of the State-owned Port Corporation

Indonesia's logistical issues involve high logistics costs, approximately 23% of the total Gross Domestic Product (GDP) value. This situation places Indonesia at a rate 11% higher than the average global logistics cost. One of the sectors contributing to these logistic costs is port fees. Inefficient port services led to high logistics costs. The government must issue specific public policies requiring regulatory policies (Riant et al. Policy. 2018). One form of regulatory policy related to the transportation sector, such as ports, is the issuance of Government Regulation Number 101 of 2021 regarding the Merger of the PT Pelabuhan Indonesia I, PT Pelabuhan Indonesia III and PT Pelabuhan Indonesia IV into the PT Pelabuhan Indonesia II. The intended goals and benefits to be achieved through this merger are:

1. Standardization of Business Process: A standardized business process and similar port products/services from ports under the merged PT Pelindo management will benefit the community/service users.
2. Operational Cost Efficiency: Efficiency in port operational costs will ultimately impact on the reduction in the price of the community's essential goods.

3. Enhanced Investment Capabilities: The merger will boost capital expenditure (capex) investment capabilities, opening new job opportunities in the port sector.
4. Consistent Service: After the merger, service users in each Pelindo I, II, III, and IV, typically shipping companies or shipping agents, will ultimately receive the same service and experience at all ports.
5. Increased Transparency and Monitoring: With only one port operator, transparency and monitoring become easier, including standardizing port marketing concepts to service users and potential development for new business models.

CHAPTER 10.
LESSONS LEARNT FROM THE PELINDO

CHAPTER 10.
LESSONS LEARNT FROM THE PELINDO

Mochammad Imron

Introduction

Through Government Regulation Number 101 of 2021 Regarding the Merger of PT Pelindo I, III, and IV (Persero) into PT Pelabuhan Indonesia II (Persero) and the approval letter from the Minister of State-Owned Enterprises of Indonesia Number: S-756/MBU/10/2021 dated October 1, 2021, concerning Name Changes, Amendment of Articles of Association, and Company Logo, Pelindo 1-4, the four state-owned enterprises previously responsible for the development and operation of national ports, namely Pelindo I, Pelindo II, Pelindo III, and Pelindo IV, have officially merged into PT Pelabuhan Indonesia (Persero) or Pelindo.

This merger of Pelindo had been planned long in advance, aligning with the goals of the state-owned enterprises in the era of Erick Tohir. The strategy chosen aimed to create a super holding structure focusing on establishing clusters that form sub holdings. These sub-holdings focus on the core business being pursued and have the potential for expansion, meaning that the holding does not just refer to a specific industrial sector but can also be formed based on a particular supply chain. Before the implementation of the merger of the state-owned port enterprises or Pelindo, there were various challenges and a variety of obstacles faced by the state-owned port enterprises in executing their business and operational activities, including:

1. Sub-optimal port operations
    a. Inadequate access infrastructure to handle large ships.
    b. More port capacity to serve demand leads to port congestion.
    c. Inefficient port operations cause long turnaround times and do not support the hub and spoke model.
    d. Varying needs and ways of interacting with local communities across state-owned port enterprises.
2. No standardization of processes and systems across state-owned port enterprises
    a. Differing processes and procedures in business and operational aspects (customer experience) and support among the state-owned port enterprises.
    b. IT systems with varying standards and quality across ports.
    c. No uniform standard for determining branch classes among each state-owned port enterprise exists.
3. Lack of coordination among state-owned port enterprises
    a. No coordination in implementing integrated vital account management.
    b. There needs to be coordination in leveraging economies of scale to reduce costs (e.g., joint procurement).
    c. There needs to be coordination in setting capex to avoid overlaps in capital expenditure.
4. Limited financial capability
    a. Weakening of the balance sheet due to sub-optimal capex allocation.
    b. Limited financial capacity to support investments planned by the government (e.g., port and hinterland in the National Medium-Term Development Plan).\

5. Limited human resource capabilities
    a. No standardization of HR capabilities among state-owned port enterprises.
    b. Varying HR productivity among state-owned port enterprises in conducting business.
    c. Lack of coordinated capability, resource, and knowledge sharing among state-owned port enterprises.

The establishment of this merger will benefit various stakeholders, including the Indonesian government, the new state-owned enterprise, and the public, who are the clients.

The Government's Concern

In his 2019 Vision of Indonesia address, President Joko Widodo conveyed that the Indonesian Government has set out five national strategic directives to drive Indonesia to its maximum potential, including:

1. Human resource development
   Develop dynamic, productive, skilled human resources that master science and technology through industrial collaboration.
2. Infrastructure development
   Continue development to connect production to distribution, facilitate access to tourist destinations, create jobs, and improve social welfare.
3. Simplification of regulations
   Simplify regulations through the Omnibus Law.
4. Bureaucratic reform
   Prioritize investments to create jobs, reduce bureaucracy, and simplify government hierarchical positions.

5. Economic transformation
   Transform into a modern manufacturing and service economy with high added value.

Based on the 2019 Vision of Indonesia address, at least two things became one of the objectives and background for establishing the State-Owned Port Corporation: human resource development and infrastructure development. On the other hand, as a tool of the government in providing goods and services, expanding employment, and boosting the economy, the State-Owned Corporation is expected to play a strategic role in helping the government realize its strategic aspirations. Specifically, the State-Owned Port Corporation is expected to drive down logistics costs in the port industry. The Ministry of State-Owned Corporation has set five main priorities for the State-Owned Port Corporation:

1. Create economic and social value for Indonesia
   The State-Owned Port Corporation is expected to catalyze sustainable long-term economic growth and have a positive social impact. To be precise, it should balance economic and social values through portfolio management, stimulate job opportunities, and support resilience in food, energy, health, and the environment.
2. Create business model innovation
   The Corporation should focus on and redefine its core business model integrated with technology use, partnerships, and ecosystem development. It should innovate the core business model, leverage technology, restructure struggling state-owned enterprises, and create ecosystems, partnerships, and local content collaborations.

3. Develop technological excellence
   The Corporation is expected to apply strategic port technology through extensive data management, advanced analytics, and artificial intelligence.
4. Encourage investment
   The Corporation should optimize asset value and create a conducive environment for domestic and foreign investments to support strategic plans in the port industry.
5. Enhance workforce development
   The Corporation should enhance skill development and training, cultivate the best workforce for Indonesia, and create an inclusive working environment for potential leaders in the port industry.

The five priorities of the Ministry of State-Owned Corporation are also further derivatives of the President's vision mentioned earlier. These two aspects form one of the foundations for the merger of PT Pelabuhan Indonesia (Persero). The benefits of this merger for the Indonesian government include:

1. The State-Owned Port Corporation has the world's 8th largest container capacity. Based on 2019 Drewry maritime research, the merger of Pelindo 1-4 will make it the 8th largest port operator in the world, with a total throughput of 16.7 million containers. This is expected to increase Indonesia's brand awareness in the global port industry, attracting more market and investment opportunities.
2. Increased state revenue: The potential for increased traffic and revenue will directly impact increased state

income through dividends and more significant taxes in line with profitability.

3. Reduced Logistics Costs: Indonesia's logistics costs, at 24% of its GDP, are considered high compared to developed countries and other ASEAN nations. With the merger, it is hoped that costs will decrease through standardized services and port performance in Indonesia.
4. The merger is also expected to enhance efficiency, transparency, and professionalism and improve the performance and value of the State-Owned Corporation, producing competitive products and services in line with the President's vision and the five priorities of the Ministry of State-owned Corporation.

Corporate Dimensions

Based on Drewry Maritime Research's annual reports, there are at least eleven global trends in the port industry that can be divided into three main categories, namely:

1. Ecosystem development consists of the following:
   a. Consolidation/acquisition/merger of port operators, forming shipping line alliances to increase bargaining power and expanding shipping lines as terminal operators. Mergers and acquisitions of port operators have also occurred frequently in recent years. The number of M&As increased worldwide from 2019 to the first quarter of 2020 in Asia, Europe, and Africa. Port consolidation is driven by several market and internal factors, such as limitations to organic growth due to land access, counteraction from the increasing

bargaining power of shipping lines, and increasing funding access from investors to port companies. Mergers and acquisitions are also seen as a less risky strategy compared to greenfield growth for port development.

b. Port operator expansion into the logistics business. Global port operators have entered the land logistics business to enhance further control over port service quality, an ongoing trend such as DP World, Hutchison Ports, PSA, and Evergreen. DP World has trucking and distribution centers worldwide to support its port business. Hutchison Ports offers freight forwarding, warehousing, project logistics, and intermodal management services. PSA provides an internet of logistics services that can trace the movement of goods throughout the logistics value chain and offers analytics for the logistics provided. Evergreen Logistics offers freight forwarding, project logistics, warehousing, and air logistics services. The trend of global port operators entering the land logistics business is also driven by various internal and external aspects to improve control over the end-to-end performance of the logistics value chain to take part in the land logistics market, which is a significant part of the logistics market, and driven by the high investment capability because the port business is quite profitable.

2. Technology development consists of the following:
   a. Sustainability efforts from terminal operators and shipping lines. The increasing sustainability efforts carried out by port operators are driven by internal

and external factors such as increasing pressure from governments, the awarding of premiums by investors and banks to more sustainable companies, and cost reductions from fuel efficiency—some global players like Maersk, CMA CGM, MSC, Cosco Shipping, and Wasa Line. Maersk strives to increase efficiency and reduce carbon usage. CMA CGM switched from carbon fuel to biofuel. MSC uses a 30% biofuel mix, resulting in a 15-20% reduction in CO2 emissions. Cosco Shipping optimizes processes at ports and navigation to reduce turnaround time. Wasaline uses batteries as a fuel substitute. b. Adoption of intelligent ports in developed countries and the increasing multimodal transport system.

b. The adoption of intelligent ports continues to become increasingly popular, especially in developed countries. Some examples of digital tools smart ports use are the Internet of Things and intelligent sensors, big data analytics, AI and machine learning, ubiquitous connectivity, augmented reality, autonomous transportation, and robotics. An example of a current smart port is the Port of Antwerp in Belgium, which uses blockchain technology, augmented reality, and sensors to improve security and efficiency.

3. The evolution of supply and demand consists of the rebound in global trade volume post-pandemic, the increasing size of container and non-container ships, the increasing containerization of various commodities, and the increasing volume of global transshipment.

On the other hand, citing the National Port Master Plan document from the Ministry of Transportation, the national port is specifically directed to realize a competitive port service industry with a sound port operation system in maritime safety and maritime environmental protection. The national port policy based on the National Port Master Plan document from the Ministry of Transportation details that the national port is directed to be able to carry out several strategic efforts, including:

1. Encouraging private investment
   Private participation is needed to support success in accelerating the development of port infrastructure and facilities due to the limited financial capability of the public sector.
2. Promoting competition
   Realizing a healthy competitive climate while still considering the implementation of the hub and spoke strategy to increase the economic scale of port management and suppress logistics costs to produce more effective and efficient port services.
3. Empowering the role of port organizers
   Efforts to enhance the role of port organizers as holders of land and water management rights can be carried out gradually.
4. Realizing integrated planning
   Port planning must be able to anticipate the dynamics of economic activity growth so that it can be integrated into the national transportation system, the national logistics system, regional spatial planning, and local community wisdom.

5. Creating the proper and flexible legal and regulatory framework
   Implementing regulations supporting operational implementation is needed to enhance planning synergy, port service tariff efficiency, and competitiveness.
6. Achieving a safe and guaranteed port operational system
   The port industry must have good levels of ship safety, security, and port facilities and reliable assets and human resources.
7. Enhancing maritime protection
   Port development will increase the use of maritime areas, impacting the maritime environment. Port organizers must be more careful in environmental mitigation to minimize or eliminate the impact of maritime environmental pollution.
8. Developing human resources
   Human resource development is directed to improve professionalism and competence to increase productivity and efficiency.

To capture the above port industry trends and fulfill the national port policy based on the National Port Master Plan document from the Ministry of Transportation, the merger implementation of Pelindo as a State-Owned Corporation (BUMN) Port also provides several benefits for Pelindo itself, including:

1. Expanding Pelindo's Market
   Merging Pelindo can boost the allure of Indonesian ports to become a transshipment hub through improved port attractiveness.

2. Facilitating Port Development
   The merger can smoothen development activities near the main trunk shipping route. Two ports under state-owned management, Kuala Tanjung and Belawan are located around this route. Hence, the merger aims to develop these potential ports further or establish new ones near the primary maritime route.
3. Expanding Collaborations
   The merger plays a role in broadening partnerships with large shipping alliances to ensure sustained demand. The Alliance, one of the world's three most prominent shipping lines, is a potential collaborator, needing partnerships with other ports.
4. Enhancing Operational Performance
   The merger aims to refine port operational performance through standardization and systematization, leveraging technology. Partnerships with specialized port operators, like those in transshipment, can accelerate operational improvements.
5. Expanding Feeder Network
   The merger aims to broaden the feeder network to support the hub and spoke concept. Collaborations with nearby smaller ports are essential. Additionally, Pelindo can facilitate industrial area developments around ports, enhancing hinterland connectivity.
6. Opportunity to Go Global
   The integration strengthens BUMN Pelabuhan's position as the eighth largest container terminal operator globally, boasting a total throughput of 16.7 million TEU. The financial amalgamation of PT Pelabuhan Indonesia will enhance efficient funding access.

7. Increasing Operational Efficiency
   This ensures capital expenditure (capex) is directed towards priority needs. It optimizes port development and asset utilization.
8. New Operational Patterns
   Implementing a national-scale Shared Service (e.g., standardized procurement, coordinated back-office processes) boosts operational efficiency.
9. Human Resources Aspects
   The merger offers employees broader and more open career development opportunities. It ensures a better talent pool through coordinated rotations and development, standard competency enhancement, and an integrated corporate culture.
10. Financial Aspects
    The merger will consolidate PT Pelabuhan Indonesia's financial strength, improving efficient funding access. Furthermore, the formation of sub-holding will enhance investment attractiveness, either through strategic partnerships or IPOs.

Public Dimension

The government's policy, as stipulated in Government Regulation Number 101 of 2021 regarding the Merger of PT Pelindo I, III, and IV (Persero) into PT Pelabuhan Indonesia II (Persero), is in line with good governance. Primarily, this policy meets the principles of good governance, especially the principles of Effectiveness and Efficiency. A good and clean government must also be effective and efficient, which means being purposeful and result-oriented. The criterion of effectiveness is usually measured by the product parameters that

can reach the most comprehensive interests of the community from various groups and social strata. Therefore, merging the State-Owned Port Enterprises into PT Pelabuhan Indonesia (Persero) also benefits the community, especially the public who are customers of PT Pelabuhan Indonesia (Persero). The objectives in question include:

1. Increasing productivity and efficiency through standardizing business processes and services at the port impacts reducing the price of goods transported.
2. Efficiency in inter-island goods traffic through a more coordinated hub and spoke integration.
3. They are creating new job opportunities through increased investment in the port sector (e.g., equipment operators, fields, administration, etc.).
4. Industry players related to the port industry (e.g., shipping lines, trucks) can get more competitive prices from State-Owned Port Corporation. In addition, the ease of collaboration is simplified, considering customers only need to contact one stakeholder, PT Pelabuhan Indonesia.
5. Gaining ease in operational matters (e.g., scheduling processes, billing, transportation) due to the port's standardization of business processes and services.

CHAPTER 11:
THE MERGER OF STATE-OWNED PORT CORPORATION, WHAT'S THE NEXT?

CHAPTER 11:
THE MERGER OF STATE-OWNED PORT CORPORATION, WHAT'S THE NEXT?

Arzena Norega

Introduction

Friday, October 1st, 2021, marked a special day for PT Pelabuhan Indonesia I, II, III, and IV (Persero). On that date, the President of Indonesia, Joko Widodo, signed the Government Regulation of the Republic of Indonesia No. 101 of 2021 concerning the merger of PT Pelabuhan Indonesia I, PT Pelabuhan Indonesia III, and PT Pelabuhan Indonesia IV into PT Pelabuhan Indonesia II. The company was renamed PT Pelabuhan Indonesia (Persero) after the merger. This state-owned corporation, responsible for managing most of the ports in Indonesia, has undergone several transformations in its history. Beginning as the Port Authority from 1957-1960, it transitioned to PN Pelabuhan I-VIII from 1960-1969, the Port Management Agency or BPP from 1969-1983, Perum Pelabuhan I-IV from 1983-1992, and eventually became PT Pelabuhan Indonesia I-IV (Persero) from 1992 to 2021. Initially, the PT Pelabuhan Indonesia ("Pelindo") division into four regions was intended to optimize business and development in each area.

However, over time, this territorial division inadvertently fostered "competition" between port operators, disparities in service standards, and difficulties in integrating the port system to support the national logistics system. A manifestation of these challenges is evident from data published by the Ministry of Finance in 2019, highlighting Indonesia's high logistics costs,

accounting for 23.7% of Indonesia's GDP. This high percentage of logistics costs relative to GDP was partly due to the suboptimal operational system and port infrastructure.

The Indonesian State-Owned Port Enterprises merger is the initial step in the transformation formula for state-owned enterprises, aiming to make Indonesian SOEs reliable with the 2R2P strategy: reorientation, restructuring, and privatization. With the recent integration of the State-Owned Port Corporation and the formation of sub-holdings by Pelindo according to their specializations – including the Container Terminal sub-holding, Non-Container Terminal sub-holding, Equipment, and Maritime Services sub-holding, and the Logistics Solutions sub-holding – substantial benefits and advantages are anticipated for the government, the public, and Pelindo itself.

The Benefits for the Government

With the integration of Indonesia's State-Owned Port Enterprises, the Indonesian government gains the ease of coordination with just 1 (one) Port Management Company in Indonesia, increasing the contribution to the country in line with the rise in the company's profitability, enhancing maritime connectivity in Indonesia, and the impact on the reduction of logistics costs in Indonesia. The most significant difficulty in managing state-owned enterprises is their vast number, not just a matter of quantity, but also due to the limited number of highly qualified Indonesian human resources (HR) to hold the position of CEO in state-owned corporations.

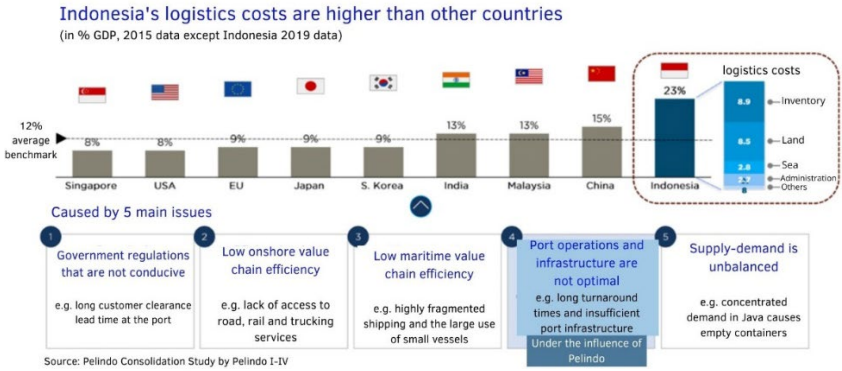


Figure 1. Overview of National Logistics Costs to Indonesia's GDP

Furthermore, managing one company will be lighter than managing four companies at a time, especially when these companies have different visions, missions, and capabilities. The government can more easily provide direction, monitor company performance, and shorten coordination time. In addition, when formulating policies related to port matters, the government can more easily get integrated input from Pelindo, making the process more effective and efficient.

The increase in company profitability is one of the main points behind the need for Pelindo's integration. In the early years of integration, this profitability might not increase significantly because there are few new sources of income for the company other than the combination of the four-port areas. Considering that at the beginning of the merger, Pelindo will focus on standardization, efficiency, and optimization in terms of service, business, asset utilization, and company expenses. Thus, after

successfully completing these initial processes, value creation will emerge, boosting the company's profitability.

As the 100% shareholder of Pelindo, the Indonesian state will naturally receive dividends from Pelindo every year. Thus, the potential increase in profitability positively impacts Pelindo's contribution to the state. Currently, there are approximately 94 port branches managed by Pelindo, but not all of these ports can be accessed by large ships (capacity 3000TEUs) requiring a depth of at least -10mLWS, especially international ships (capacity >5000TEUs) that need a minimum depth of -14 mLWS. This is undoubtedly a challenge in efforts to improve maritime connectivity, where there is a trend for large ships to access major ports in regions across Indonesia.

Furthermore, according to Pelindo's operational data, the duration of ships docking (port stay) at several major ports is still quite long. This is due to the suboptimal performance of ship services, mainly caused by low equipment performance, lack of human resources in operations, and under-utilization of IT systems (still manual). With the Pelindo merger, standardization and transformation of infrastructure and operational performance will occur faster under one Pelindo command to improve maritime connectivity in Indonesia. Mathematically, from the data, the logistics cost percentage is 23.7% of Indonesia's GDP, as shown in Figure 1. The maritime aspect contributes only 2.8%. This maritime aspect is then divided into shipping and port services. Assuming a 50:50 distribution between shipping and port, the port's contribution to national logistics costs is only 1.4%. This number may seem insignificant compared to inventory costs (8.9%) and land transportation costs (8.5%).

When discussing the maritime logistics or transportation system, if a port does not operate efficiently, the industry responds by increasing inventory costs, leading to congestion or long waiting times for land transportation around the port, making land transport costs expensive. This means that improvements made to the port have both direct and indirect impacts, as described above. According to a study conducted by Pelindo, the impact of the Pelindo merger on reducing the proportion of logistics costs to Indonesia's GDP is about 1.6% in 2024, where 0.3% of that figure is the direct impact of increased efficiency in maritime transport, i.e., ports and shipping. However, it should be noted that maritime transportation is like a large orchestra. To add to the positive impacts mentioned above, greater integration and collaboration are needed, starting from the shipping sector, land transport, warehousing, customs processes, government agencies, and other related sectors. In this regard, the integrated Pelindo is prepared to be a trade facilitator, ensuring smooth and well-organized collaboration to address the challenges of improving the logistics system in Indonesia.

Benefits for the Public

Public welfare is the main objective when formulating public policy. Similarly, the government's decision to merge Pelindo is intended to benefit the public. The direct and indirect benefits the public can receive include increased transparency and reliability of port services, decreased costs of goods transported through the port, and new employment opportunities. The improvement in port service productivity and efficiency through the standardization of business and services that Pelindo will implement, leveraging Industry 4.0 technologies such as the

Internet of Things (IoT), Machine Learning, API, blockchain, and Artificial Intelligence, is expected to enhance the transparency and reliability of port services, which may currently be seen as confusing to the public. Currently, through its sub-holding, Solusi Logistik, Pelindo is preparing a platform to facilitate corporate and individual service users in transactions, document processing, and tracking the shipment or reception process through the port digitally and in real-time. This technology also benefits the shipping industry by providing more accurate information regarding the presence of goods to be loaded or unloaded at a port, thus improving the reliability of shipping routes and schedules.

One of the significant components in the selling price of a product is logistics costs. A study by the World Bank and LPEM-FEUI in 2014 stated that the average logistics cost as a percentage of the selling price of goods in Indonesia is 18%. This is more expensive than in Thailand (15%) and Malaysia (13%). This logistics cost is divided into transportation cargo handling (45.3%), inventory costs (22.5%), administrative and other expenses (17.6%), and warehousing costs (14.6%). It is evident that if there is an integrated service efficiency and reliability improvement, especially on the port and shipping side, it can reduce inventory costs and other administrative expenses, constituting 40.1% of logistics costs or 7.2% of a product's selling price.

The Pelindo merger can directly open new job opportunities for the public due to the increasingly widespread and significant investments from Pelindo and the development of new businesses in the port sector as a form of value creation after the Pelindo merger. These new job opportunities include port

equipment operators, administrative workers, field workers, and even employment needs from Pelindo's company. Based on a study by Pelindo, it is estimated that there will be the creation of 1,100 new jobs from 2021 to 2025 due to the construction of new terminals in Belawan, Tanjung Priok (NPCT2), and Makassar New Port.

Benefits for the Company

The merger of Pelindo is a process eagerly anticipated by every member of Pelindo I-IV. Each member realizes that this merger will benefit the company and each individual. At least three aspects benefit from this merger: operational benefits, financial benefits, and HR benefits. Firstly, from an operational standpoint, the company will experience improved cargo handling services through the standardization of operations in the hub and spoke network, thereby increasing the flow of cargo managed by Pelindo. There will also be an increased market share through alliances and collaborations with national and international shipping lines and hinterland integration through optimized shipping routes, optimal cargo unloading service windows, and terminal service system integration.

In terms of port development, this merger allows for mapping the geographical strength and market in each area, optimizing infrastructure and superstructure development through more efficient CAPEX planning. Furthermore, Pelindo can more comprehensively study business behaviors at each terminal operation pattern in its area, determining the best operational pattern to be applied across all ports according to their characteristics and purpose. For example, the Teluk Lamong Container Terminal and the Tanjung Emas Port Container

Terminal currently employ a semi-automated container terminal operation pattern. The effectiveness of these operations can be evaluated, understanding the lessons learned, and if deemed more efficient and profitable, the transformation of the port's operational pattern could be quickly implemented in other branch ports that require it.

Secondly, from a financial perspective, the combined financial strength of Pelindo will enhance more efficient funding access for company business growth investments. Especially now that Pelindo ranks eighth globally among container flow managing ports with an annual throughput of 16.7 million TEUs. This ranking is a bonus benefit from the merger, creating a positive image. This image will enhance the company's market value, facilitating the financing process for various work programs and company investments. Additionally, establishing a sub-holding will enhance investment appeal through strategic partnerships or IPOs and increase capital strength because releases can be done in stages: subsidiaries, subsidiary's subsidiaries, and then the parent company.

The financial benefits obtained by the company include asset optimization through asset sharing, cost optimization for procurement through joint procurement, optimizing the use of production tools by transferring low-utilized tools to busier work areas without purchasing new equipment and developing idle land through value creation emerging from sub-holdings, subsidiaries, or subsidiary's subsidiaries. Lastly, in terms of Human Resources, Pelindo employees individually will have broader and more open career development opportunities, a greater chance to enhance competencies related to company business based on location and area characteristics, and

internalize the company culture (AKHLAK) more uniformly, integrated, and contextually according to each employee placement's business sector. On the company side, they benefit from having a better talent pool through rotation, promotions, and coordinated HR development. The company can leverage This robust talent pool to prepare the next generation to lead all business lines in Pelindo, ensuring long-term business sustainability, choosing the best employees in their fields to run the company's planned programs, and enhancing the company's image nationally and internationally.

In conclusion, the merger of BUMN Port of Indonesia brings benefits and advantages to the Government, Community, and the Company. However, it is crucial to remember that Indonesia has a significant task ahead in resolving national logistics issues, primarily focusing on reducing logistics costs. Given that ports are only one node in the entire maritime transportation chain, integrated commitment, and collaboration between all relevant parties are essential to ensure that this task is completed quickly and with maximum results, ultimately enhancing the welfare and prosperity of the Indonesian community.

"***Individually, we are one drop. Together we are an ocean***" –
Ryunosuke Satoro, Japanese author

CHAPTER 12.
THE MERGER CASE OF PELINDO I, II, III, AND IV

CHAPTER 12.
THE MERGER CASE OF PELINDO I, II, III, AND IV

Shantika Dita Putri

Introduction

On October 1, 2021, PT Pelabuhan Indonesia I, II, III, and IV were merged into PT Pelabuhan Indonesia (Persero). This was one of the aspirations of the President of the Republic of Indonesia, Mr. Joko Widodo, which had been discussed for a long time so that state-owned enterprises (BUMN) would grow larger, become more competitive, agile, and robust, ensuring that in the future they would not operate in isolation. This merger policy aligns with the Minister of State-Owned Corporation, Erick Thohir, a sub-holding strategy that encourages clustering with two primary issues: focusing on business and increasing control, making state-owned enterprises more competitive because their value chains are interconnected. The President set out 5 (five) primary directives as strategies for national development and achieving the Vision Indonesia 2045 goals:

1. Human Resource Development.
   Building hard-working, dynamic, productive, skilled human resources proficient in science and technology through industrial collaboration and global talent.
2. Infrastructure Development.
   Continuing the infrastructure development to connect production areas with distribution areas, facilitate access to tourist areas, boost new employment opportunities, and accelerate the increase in the people's economic value.

3. Regulation Simplification.
   Simplifying all forms of regulation with an Omnibus Law approach, especially issuing two laws. Firstly, the Job Creation Law. Secondly, the Empowerment of MSMEs Law.
4. Bureaucratic Simplification.
   Prioritizing investment for job creation, cutting lengthy procedures and bureaucracy, and simplifying echelons.
5. Economic Transformation.
   Transforming the economy from natural resource dependence to competitive manufacturing and modern services with high added value for the nation's prosperity in the interest of social justice for all Indonesian people.

Out of these five directives, there are two relevant to the Port State-Owned Corporation: human resource development and infrastructure development. These directives then translated into 5 (five) strategic goals of the Ministry of Transportation for the development of the national port industry, among others:

1. Global Competitiveness Enhancement.
   Improving competitiveness to compete in global trade and transportation service provision.
2. Operational Enhancement.
   Reducing port costs and improving port services, decreasing port costs, and enhancing port-related services.
3. Synergy Enhancement.
   Synergizing port development within the national transportation and logistics systems is in line with economic development direction.
4. Capacity Enhancement.

Developing port capacity to meet transportation service demands and support accelerated economic growth and balanced development.

5. Human Resource Development.
   Enhancing human resource capacity in the port sector.

Advantages for the Indonesian Government

The merger policy will benefit the Indonesian Government in several ways, including:

1. Easier Coordination: With a single port management throughout Indonesia, the government (Ministry) will find it easier to coordinate and communicate with the integrated Pelindo.
2. Increased National Revenue: With increased traffic after the integration of Pelindo, dividends, taxes, and non-tax state revenues (PNBP) are expected to rise alongside the increased revenue and profitability of Pelindo.
3. Reduction in National Logistics Costs: Indonesian logistics costs are relatively high, at 23.5% of the gross domestic product (GDP), which is significantly higher than countries like Singapore (8%), India (13%), Malaysia (13%), and China (15%). The merger of Pelindo is expected to suppress national logistics costs by improving the effectiveness and efficiency of national port services.
4. Global Ranking: The Pelindo merger will rank it as the 8th largest container operator globally, with a total throughput of 16.7 million TEU, strengthening Indonesia's image and global competitiveness.

5. Enhanced Maritime and Hinterland Connectivity: An integrated shipping network will increase logistical chain efficiency, drive national economic growth, and equal distribution.

These advantages support the previously mentioned directives from the President and the Ministry of Transportation.

Advantages of the New Pelindo

The merger policy will benefit the new state-owned enterprise in several ways, including:

1. Improved Service: There will be standardized operations across all hub and feeder ports, from west to east, making operations more reliable and efficient and enhancing port network connectivity nationwide.
2. Enhanced Financial Performance: The integration of Pelindo will unify financial resources, increase leverage, strengthen capitalization, gain more efficient funding access, and enhance investment attractiveness.
3. CAPEX Efficiency and Asset Optimization: Capital expenditure (CAPEX) will be directed towards priority needs, and assets will be optimized through asset sharing, procurement cost optimization, operational equipment cost optimization, and idle land development.
4. Global Reach and Business Line Clustering: Being the 8th largest port operator globally allows Pelindo to improve its global competitiveness. There is also an opportunity for new value creation by clustering business lines, for example, containers and non-containers.

5. Enhanced Shipping Line Alliances: A merged Pelindo can improve operational standards and infrastructure throughout Indonesia. The integrated Pelindo can attract cooperation from various shipping line alliances.
6. Standard Human Resource Development: Employees will have broader and more open career development opportunities and opportunities to enhance standardized competencies from west to east.

Benefits of the Pelindo Merger Policy for the Public

The merger policy will provide benefits for the public who are clients, including:

1. Standardization of operations, business processes, and Pelindo services can enhance port productivity and efficiency. This can lead to a decrease in the price of transported goods and a reduction in logistics costs.
2. With the integration of Pelindo, clients will experience convenience in standardized services across all ports from west to east. When coordinating with ports that were previously under different companies, they can rely on a single service platform for the entire working area of Indonesia.
3. Increased maritime connectivity and efficiency in inter-island goods traffic will be increased through a more coordinated hub and spoke integration.
4. With strengthened capital for Pelindo, the company can upgrade infrastructure and equipment, leading to better client service.
5. Establishing a Pelindo business cluster will make the cluster more focused on its core business. This can

improve service performance and add value to its business, benefiting the clients.

6. The achieved connectivity with the integration of Pelindo will enhance integrated logistics services that will benefit clients.

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Chapter 13. Conclusion

Chapter 13.
Conclusion

Riant Nugroho & Tri Achmadi

Indonesia's Maritime Policy still requires time to achieve its objectives. Habil, for example, suggests that the potential of Indonesia's maritime sector is enormous, yet it needs to be utilized optimally; indeed, the government has established various policies for the development and growth of the maritime sector. However, the challenge is the inconsistency and priority in implementing these programs. The primary policies recommended to support the enhancement of maritime business in Indonesia are policies to realize affordable, simple, and competitive sea transport; policies to improve maritime transportation connectivity; policies to provide competitive seaport infrastructure; policies to increase compliance with safety, security, and environmental protection regulations; policies to enhance the effectiveness of law enforcement at sea; and policies to improve integration in organizational management.

Ardianto looks at the macro maritime policy from the logistics sub-sector and recognizes the importance of a logistics system integrated locally and globally to enhance national competitiveness and the welfare of the people (locally integrated, globally connected for national competitiveness and social welfare). By 2025, all logistics activities in Indonesia, from rural to urban areas, between regions and islands, are expected to operate effectively and efficiently and be integrated nationally within the unified state's territory. The agenda is to revise logistics regulations to minimize sectoral egos between

institutions, ministries, or regions to strengthen the integrated economic area. Therefore, a synergy among stakeholders is needed to align the vision and mission to prevent overlapping authority. Thus, efficiency and effectiveness, ensuring domestic, regional, and global connectivity, will be achieved. This includes enhancing the implementation of Inpres No. 5 of 2020 concerning the arrangement of the national logistics ecosystem (National Logistic Ecosystem-NLE) to implement single submission and integrated inspection (join inspection) of customs and quarantine for imported goods, aiming to expedite inspection processes and reduce unnecessary costs. This policy is considered hampered because it has not been well socialized among businesses, especially the All-Indonesia National Importer Association (GINSI). However, this system focuses on collaboration between government agencies and the private sector through data exchange, simplification, process elimination, and technology-based systems covering all related logistics and connecting existing logistics networks. Digital technology utilization is needed to make connectivity efficient for every network node and link in national logistics.

Abritia raises several agendas. First, the competitiveness of the national shipping industry still needs to improve. The share of foreign cargo transportation by national ships remains low, around 11.23%, below the RPJMN 2015-2019 target of 20%. Additionally, data regarding port provision and services in Indonesia, calculated through the port quality indicator sourced from the World Economic Forum in 2019, ranks 64th in the world (with a score of 4.3 (out of 7)), still lagging behind neighboring countries like Singapore (ranked first globally with a score of 6.5) and Malaysia (ranked 20th with a score of 5.2). Second, there is a high incidence rate of ship accidents. Data from 2015-2019

reveals that the proportion of ship/sea transport accidents due to controllable factors (human, technical, etc.) remains high. The government's role as a regulator must be assertive in applying safety and security rules for sea transport to business actors and the public. Third, the port service performance still needs to meet its target. Based on the operational port service performance report, it was found that the on-time performance (Approach Time (AT), Waiting Time (WT), Effective Time (ET)/Berth Time (BT)) at 100 commercial ports (according to SK Dirjen No HK 103/2/18/DJPL-16) and 61 unexploited ports (according to SK Dirjen No HK 103/4/7/DJPL-16) reached around 95% in 2019. Fourth, the adequacy of human resources facilities and infrastructure for the safety and security of shipping. The technical HR adequacy for port operations (especially Marine Inspector) and crew for national ship operations (patrol and navigational ships) must still be met. Fifth, the effectiveness of the subsidized sea transport service implementation. From 2015 to 2019, the Directorate General of Sea Transportation carried out several subsidized sea transport service activities, including PSO passenger transport, operation of pioneer and livestock ships, and Maritime Highway subsidies. Sixth, there needs to be more support for intermodal transportation integration at Ports. The Global Maritime Fulcrum Policy (PMD) still needs to be optimally developed, as maritime development has yet to be integrated with more strategic environments.

Umaroh recommends six derivative policies from the Maritime Highway policy, which are to accelerate the development of multimodal transportation and support sislognas and industrial areas and improve sea transportation services; to balance nationally-oriented transportation with locally and regionally-oriented transportation; to build an integrated transportation

information system and network to support investment in economic corridors, particular industrial areas, industrial complexes, and service growth centers in non-economic corridor areas; to improve and prepare competent HR that can compete globally; to enhance safety and security in transportation management; and to develop environmentally friendly transportation infrastructure and facilities to handle gas emissions.

Filemon recognized that the dynamics of maritime development worldwide, especially in the Asia-Pacific region in the first decade of the 21st century, have undergone a shift in economic, political, and security pendulums. This includes the maritime world, such as the increase in commercial fleets of various types, a maritime-based economy, food security through seafood processing, and the construction of artificial islands and the management of outermost, coastal, and border areas from the transatlantic region to the Asia-Pacific region. When the Maritime Highway program conducted by the government had been running for almost five years, it achieved new connectivity in remote, outermost, and border areas, evidenced by an increase in port stops, more extensive distribution of logistics, especially essential goods, compared to the previous period, and a decrease in price disparities in some areas. This indicates a rapid leap in economic development in frontline and outermost areas, especially bordering countries in Southeast Asia and the Pacific region. However, there is still much to improve in this program. Various evaluations by agencies, ministries, institutions, and stakeholders found that in the Maritime Highway program, in some areas, the disparity in prices in regions far from ports could not be reduced because further modes of transportation to the recipient of the goods are still needed. The Maritime Highway

Program provides ports and ships and intermodal connectivity, including the availability of modes for river and lake transportation (ASDP), continuous improvements to the logistics system, and the balance of supply and demand in every ecosystem. This requires synergy and integration between Ministries, transportation business actors, and regional governments to achieve Maritime Highway's objective as the frontline of Indonesia's maritime fulcrum connectivity.

Gumelar found that, first, the implementation of the Maritime Highway development has shown progress despite various obstacles; second, recognizing several driving factors for the Maritime Highway development to realize Indonesia as the Global Maritime Fulcrum, including 1) Indonesia's geographical condition; 2) reducing the price disparity between western and eastern Indonesia; 3) equitable distribution of essential needs; 4) coordinated development planning; 5) integrated development; and 6) cooperative financing of development. The inhibiting factors include 1) The mindset towards the sea, 2) sectoral ego, 3) shipping not maximized, 4) port conditions are inadequate, 5) the shipbuilding industry has not developed, 6) operational problems of the Maritime Highway ships, 7) the long land provisioning process; and 8) access and facilities in underdeveloped areas and border regions are inadequate. Recommendations to support the success of the Maritime Highway policy are (1) integrating the development of growth centers supported by logistics distribution lines (shipping, port management, and intermodal); (2) the readiness of all regions and local governments that will be connected through the Maritime Highway to become new growth centers is strategic; (3) measurable planning in process, time, and target scale; (4) accelerating regional development and the readiness of human

resources must be a priority; and (5) enhancing institutional aspects: forming and strengthening community institutions (including cooperatives and regional-owned enterprises) through training and education.

Putra found that the Maritime Highway policy has reduced the price disparity of goods in the Eastern Region and 3TP in Indonesia, created national connectivity, advanced the economy in several areas, and developed the national maritime industry. However, this Maritime Highway program still needs evaluation and development from several aspects, including determining shipping routes, port infrastructure, unbalanced return cargo flow, the type of goods that can be transported by Maritime Highway ships, and the fleet operating system in the Maritime Highway program. Therefore, policies need to be made to address these issues. For its success, there are three recommendations. First, the Government and related stakeholders need to monitor and evaluate the implementation of the Maritime Highway program, especially shipping routes, to formulate further policies for effectiveness and efficiency. Second, the Government needs to review and add types of cargo in the regulations that limit the types of cargo that can be transported by the Maritime Highway ships, aiming to increase the supply of return cargo and reduce operational subsidy burdens from the state budget. Third, in adding new routes or diverting routes, notable routes need to be created based on cooperation with Regional Governments and or Regional-Owned Enterprises to ensure the quantity and type of cargo to be transported when the ship arrives in the area.

Ahmad found that the merger of Pelindo I, II, III, and IV created a new company with a total consolidated asset of IDR 112

Trillion and total revenue of IDR 28.6 Trillion. With these assets and revenues, the merger company is on a global scale, becoming the 8th largest Container Terminal Operator globally with a total container throughput of 16.7 million TEUs. The port holding company PT Pelindo (Persero) has obtained an AAA rating from PT Pemeringkat Efek Indonesia (PEFINDO). This rating is given because PEFINDO sees significant government support for Pelindo, a superior market position, and stable recurring revenue from fixed lease payments, balanced with increased leverage due to capacity expansion.

PT Pelindo (Persero) will establish four business clusters: PT Pelindo Terminal Petikemas (PLTP), managing container loading and unloading activities; (b) PT Pelindo Multi Terminal (PLMT), managing the loading and unloading of general cargo and both dry and liquid bulk; (c) PT Pelindo Jasa Meritim (PLJM), managing port equipment (crane and ship) operation and maintenance activities; (d) PT Pelindo Solusi Logistik (PLSL), managing other logistics services and port hinterland development. The clustering of these business segments will result in standardized business processes and cost efficiency/effectiveness for each sub-holding in conducting port business. Furthermore, integration will enhance operational efficiency and capital expenditure (capex), improve value creation, consolidate financial resources, increase leverage, strengthen capital, and provide opportunities for standardized human resource capabilities.

The Pelindo merger is deemed appropriate and relevant as a step to adapt to the rapid advancements of the industry and information technology sectors, where the port operator plays a crucial role in the logistics distribution chain, significantly impacting a country's economic growth.

Imron found that to capture the port industry trend and align with the national port policy based on the National Port Master Plan Document by the Ministry of Transportation, the Pelindo merger as a state-owned port enterprise offers several benefits for Pelindo itself, significantly expanding its market and becoming Southeast Asia's transshipment hub. The merger can enhance the attractiveness of Indonesian ports to become a transshipment hub through improved port appeal. With the merger, Pelindo can also facilitate port development near the main trunk shipping route. Two ports managed by the state-owned port company identified near this route are Kuala Tanjung and Belawan. Hence, this merger aims to continue developing these potential ports to be ready to become a transshipment hub or develop new ports near the main maritime route to expand its market and enhance competitiveness with ports in other countries in transshipment.

The Pelindo merger also expands cooperation with significant shipping alliances to ensure sustained demand, especially for transshipment needs. There are three major shipping line alliances worldwide with the potential for collaboration. The Alliance holds the most potential because it does not cooperate with other ports, making it crucial for the state-owned port company to continuously improve its operations, infrastructure, and other port-supporting factors to attract partnerships with large shipping alliances. With the Pelindo merger, the goal is to

consistently enhance its port operational performance through standardization and port operational systematization using technology/digital means. Partnerships with external operators experienced in specific port operations, such as transshipment, can be established for rapid operational enhancement and knowledge transfer to the state-owned port company employees and seize the opportunity to increase traffic from cooperation with these external operator partners. For instance, regarding infrastructure, improving the draft depth to 16-17m will enable ports to accommodate larger ships. Bunkering service development can also be undertaken to add value to port services.

With the merger, Pelindo aims to expand its feeder network to support the hub and spoke concept. Collaboration with smaller ports relatively close to the state-owned port company's locations needs continuous enhancement to establish a robust network targeting the market. On the other hand, Pelindo can also support the development of industrial areas around ports, which will further promote increased hinterland connectivity and potentially enhance export-import volumes and port traffic. For example, developing industrial areas and special economic zones around ports in the Sumatra region has been undertaken, boosting traffic in ports like Belawan and Kuala Tanjung.

In terms of human resources, the Pelindo merger aims to offer broader and more open career development opportunities for employees, improve the talent pool through coordinated rotation and development, and enhance standard competencies across western, central, and eastern Indonesian operational regions while integrating the company's AHKLAK culture contextually. Financially, the merger will also impact the

consolidation of PT Pelindo Indonesia's financial strengths, enhancing more efficient funding access. Furthermore, the establishment of a sub-holding will enhance investment appeal, either through strategic partnerships or IPOs.

Norega argued that everyone in Pelindo I-IV eagerly anticipates this Pelindo merger because they realize it will bring positive benefits to both the company and individuals. At least three aspects benefit from this merger: operational, financial, and human resource benefits. Firstly, operationally, the benefits for the company include enhanced loading and unloading services through standardized operations in the hub and spoke network, thus increasing the cargo flow handled by Pelindo.

Furthermore, there will be market growth through alliances and collaborations with national and international shipping lines and hinterland integration in optimizing sailing routes, ship loading and unloading service windows, and terminal service systems. From a port development perspective, this merger can map geographical strengths and markets in each area, resulting in infrastructure and superstructure development and investment planning optimization.

Secondly, the merger strengthens Pelindo's financial capabilities, improving more efficient funding access for company business growth. Pelindo ranks eighth globally among container traffic managing ports with an annual throughput of 16.7 million TEUs. This position is a merger bonus, enhancing competitiveness in Southeast Asia and elevating the company's financial profile, facilitating more accessible capital market funding or foreign direct investment. Lastly, for human resources, the merger will standardize competence and expertise for all employees. This

initiative ensures employees can work across different regions, optimizing resource utilization.

Furthermore, Pelindo can carry out more comprehensive staff training and development programs, making Indonesian human resources more competitive in the global port industry. The consolidation of Pelindo I-IV also intends to keep Pelindo's best talent by providing more attractive career paths and opportunities.

In conclusion, the Pelindo merger can be a game-changer in the port industry. This initiative not only enhances Pelindo's operations but also makes Indonesian ports more competitive in the international arena. The consolidation will significantly benefit the company operationally, financially, and in human resources, ensuring long-term success in the future.