



This document will explain the recommendation on institutional setup to enable integrated public transports management in Metropolitan Jakarta Area.

Public Transport Institutional Integration Roadmap in Metropolitan Jakarta - Institutional Setup and Implementation Strategy

Clean Mobility for Metropolitan Jakarta

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1. Introduction

This report would explore various institutional setup that aim to address current issues that have been discussed in the previous “Public Transport Institutional Integration Roadmap in Metropolitan Jakarta - Current Landscape and Best Practices” document, by having an integrated public transport planning, implementation, and evaluation for the whole Metropolitan Jakarta area.

The report will be started by explaining briefly on the current institutional setup that has also been elaborated on in the previous document. It will then be continued with proposed suitable institutional setup completed with their own set of advantages and disadvantages.

Disclaimer: This report will still be developed further in accordance to future findings and/or discussion results with relevant stakeholders. The information in this report is relevant as of the published date written on the cover. However, the content of this report might become obsolete, partially or completely, when a new updated report with the same subject is submitted and/or published.

2. Current Metropolitan Jakarta Public Transports Institutional Setup

As explained extensively in the previous “Public Transport Institutional Integration Roadmap in Metropolitan Jakarta - Current Landscape and Best Practices” document, the administration landscape of Metropolitan Jakarta is quite complicated. Metropolitan Jakarta consists of 3 provincial governments and 8 city/regency governments in which all of them are led by a publicly elected person respectively in their own region. Moreover, the national government also has some degree of involvement in the area as they are responsible for matters that involve two or more provinces, such as transportation. In total, there are three levels of governments, which are equipped with each of their own transportation agencies, that are involved in the planning and evaluation of transportation matters in Metropolitan Jakarta.

Not only that, the applicable regulations regarding transportation in Indonesia are also different for different modes, which resulted in a different working unit within each level of government to regulate each road- and rail-based transport matters. This has also applied to the implementer side who operates the public transportation services daily. Currently there is no single entity in Metropolitan Jakarta that operates both road- and rail-based public transports.

Table 1 Current Landscape of Metropolitan Jakarta Public Transports Institutional Setup

Role	Transport Modes	Inter Provinces	Inter Cities	Intra City
Regulator	Road-Based	Greater Jakarta Transport	Provincial Transport	City Transport

Role	Transport Modes	Inter Provinces	Inter Cities	Intra City
(Government Agencies)		Authority (BPTJ)	Agency	Agency
	Rail-Based	Directorate General of Railways (DJKA)	Provincial Transport Agency	City Transport Agency
Implementer (Business Entity)	Road-Based	Private Operators	- Transjakarta* - Private Operators	Private Operators
	Rail-Based	State-Owned Enterprise	Provincial-Owned Enterprise	City-Owned Enterprise

Administered by the National Government
Administered by Provincial Government
Administered by City/Regency Government

**Only for DKI Jakarta Provincial area*

This current landscape of institutional setup has created some issues in public transport planning and operation in Metropolitan Jakarta. From the regulator's side, the different responsibility of each government based on administrative borders creates an uneven development of mass public transport between regions, as could be seen in [Figure 1](#), which depends heavily on each government's priorities and financial capabilities. Not only the infrastructure development itself, the level of services on the existing public transport itself is also different. People could only use the high-quality Jakarta Mass Rapid Transit up until Lebak Bulus area, the border in southern Jakarta, before they needed to use lower quality minibuses, called *Angkot*, to continue their journey towards South Tangerang and beyond. Both issues have been elaborated more extensively on the previous "Public Transport Institutional Integration Roadmap in Metropolitan Jakarta - Current Landscape and Best Practices" document.

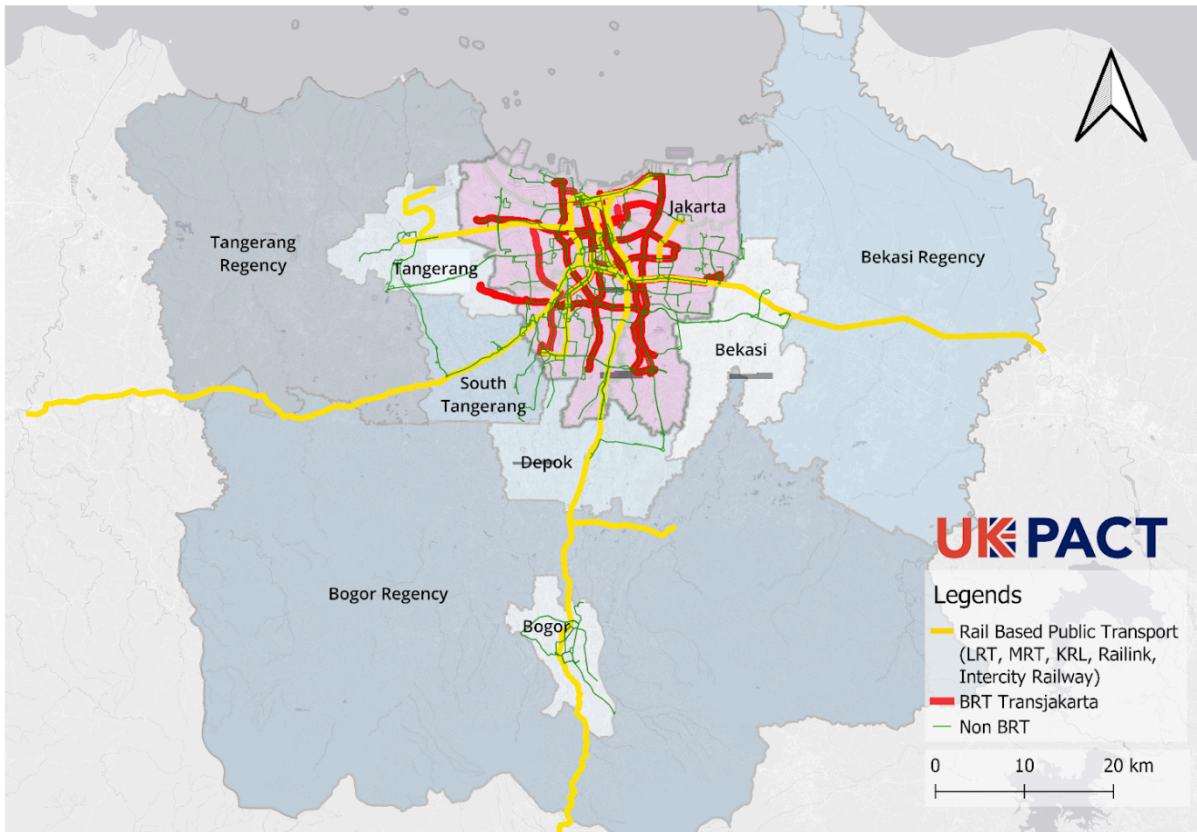


Figure 1 High Quality Mass Transit in Metropolitan Jakarta

The government has realised this issue and took action back in 2015. The president initiated the creation of *Badan Pengelola Transportasi Jabodetabek* (BPTJ) or the Greater Jakarta Transport Authority through the Presidential Regulation No. 103 of 2015. This institution was formed as an echelon 1 unit under the Ministry of Transportation to address those issues and integrate the planning and evaluation of all transportation matters for the whole Metropolitan Jakarta area. However, the results were never there. BPTJ could not operate as they were intended to. Based on an interview with BPTJ in December 2022, this was due to them operating with minimum funds available allocated by the Ministry of Finance despite them having a transportation master plan to be realised as stated in Presidential Regulation No. 55 of 2018. The lack of money going in from BPTJ towards the local governments in Metropolitan Jakarta has also contributed to the lack of influence BPTJ have to integrate the transportation planning and management on the whole Metropolitan Jakarta area.

There are also other issues on the implementer side due to the current setup. The first issue is that the compliance towards the Service Level Agreement (SLA) set by the respective regulator by public transport operators, mainly those that are private, is low. Apart from the Jakarta Provincial Government with their regional-owned public transport operators, regulators are only responsible to issue permits. Therefore, the only penalty they can impose towards operators that do not comply with the SLA is cancellation of their permits. This resulted in a dilemma faced by the

government, as a strict approach towards the SLA might mean that the public transport service would be gone entirely.

Another issue revolving around private operators is that they are fighting over passengers with other private operators, as sometimes their routes are overlapping with each other. This results in dangerous driving done by public transport drivers, which reduces the perceived safety level of travelling using public transports.

Lastly, the ownership of certain operators under one local government would mean that they will only be able to open routes inside the jurisdiction area of its owner, despite high potential passengers just outside the borders. This is currently happening with the Jakarta MRT which stops right at the border of Jakarta. If it was to be extended into South Tangerang, then more people are believed to be using the service as it reaches directly towards a location where many residential areas are. In accordance with that, this has also limited the implementation of integrated fare schemes between different public transport modes. The differences in subsidy mechanism between modes, including the source of funds, has made the integrated fare scheme to be implemented only for public transports under the Jakarta Provincial Government ownership for the time being.

3. Recommendations on Metropolitan Jakarta Institutional Setup

Distinction between regulators and implementers is still needed as they are different in nature. Implementer needs to be agile and adaptive to any technological advancement, thus a business entity is the suitable form for it. Meanwhile, a regulator needs to be under supervision of the general public, thus a government agency led by a public official is the most suitable form.

There will be 2 parts on this recommendation, which is the institutional setup on the regulator side and from the implementer side. Both sides should be independent from each other. In other words, each of the scenarios listed in each section could be implemented without any specific scenarios being implemented on the other side.

3.1. Integrated Regulator

An integrated regulator does not necessarily mean that there would only be a single regulator institution for the Metropolitan Jakarta area. Although it might be an option, an integrated regulator here means that there will be a single entity that would oversee and integrate transportation matters for Metropolitan Jakarta. In other words, rather than integrating the institutions themselves, the functions of all current institutions are what needs to be integrated and be put under a responsible party.

There are two main objectives from having the integrated regulator. The first objective is to enable a holistic and integrated approach for public transport development in the Metropolitan Jakarta area. This way, mass public transport developments between regions will be more even and not be limited to administrative borders anymore. The second objective is to bring the service level of all public transport in Metropolitan Jakarta into a similar level, regardless of mode used and the operational area.

To achieve all the objectives they are intended to, the integrated regulator need to have three major functions in place, which are as follows:

- **Planning:** The integrated regulator needs to oversee all public transport planning activities in the Metropolitan Jakarta area. This includes the planning for public transportation route development, public transport's ridership and mode share target, and the overall long- and mid-term transportation strategy for Metropolitan Jakarta, among others. This way, the public transport development for the Metropolitan Jakarta could be planned holistically without constrained by administrative borders.
- **Monitoring and Evaluation:** Besides planning, the integrated regulator needs to also have the authority to monitor and evaluate all public transport services in Metropolitan Jakarta. This includes activities such as regular monitoring of compliancy towards SLAs, monitoring the accomplishment of predetermined targets (such as ridership level, mode share, etc.), and evaluating the overall transportation strategy. This is an important function as the

regulator needs to also ensure everything that they have planned are being implemented by the operators.

- Subsidy Distribution:** The last function they need is the function of subsidy distribution for Metropolitan Jakarta’s public transport services that need it. Learning from the current situation, there should be more types of penalty rather than permit revocation only. One of them could be in the form of subsidy reduction, or even additional grant, as part of reward and punishment schemes to control the level of services provided by the operators. Moreover, the ability to distribute funds would mean that the integrated regulator has an authority over the receiver, which will mitigate the lack of influence situation that is happening with BPTJ.

3.1.1. New Ministerial Level Institution

3.1.1.1 Overview

The first proposed setup of an integrated regulator is to have a new ministerial level institution serving as the integrated regulator. As a ministerial level institution, they will be reporting directly to the president. As suggested by Table 2 below, the new ministerial level institution will take over all the functions that were previously held by BPTJ, DJKA, Provincial Transportation Agency, and City Transportation Agency in the Metropolitan Jakarta area. That way, institutions that only have responsibility inside Metropolitan Jakarta will not be there anymore, such as Jakarta Transportation Agency. However, those that have other responsibilities outside Metropolitan Jakarta will still be there, only without any involvement in Metropolitan Jakarta anymore. This includes the DJKA, West Java Transportation Agency, and Banten Transportation Agency.

Table 2 New Ministerial Level Institution

Role	Transport Modes	Inter Provinces	Inter Cities	Intra City
Regulator (Government Agencies)	Road-Based	Integrated Regulator		
	Rail-Based			

The idea behind this proposed setup is that the current issue of uneven public transport development between regions is mainly due to the division of roles between national government, provincial government, and city government which is based on the administrative borders. Regions with higher financial capabilities and more political willingness to prioritise public transport will always have more high-quality public transport systems and the uneven development between regions will always be there. Therefore, an even public transport development across the entire Metropolitan Jakarta would be achieved if all public transport matters for the whole area were to be put under a single integrated institution rather than dividing it into several institutions with different priorities and capabilities.

3.1.1.2 Opportunities

There are several advantages of having this institutional setup, which are as follows:

- **Enables comprehensive planning and evaluation:** The main advantage of this setup is that the public transport development planning could be made comprehensively across any administrative borders inside Metropolitan Jakarta. This way, uneven public transport developments between regions in Metropolitan Jakarta could be avoided in the future. The level of service of every public transport system operating inside Metropolitan Jakarta could also be brought into a similar level, which should result in the availability of integrated end-to-end public transport services for people living and doing activities in Metropolitan Jakarta.
- **Enables subsidy distribution for all:** As the integrated regulator has the authority to regulate inter provinces, inter cities, and intra city public transport services, they will also have the authority to provide subsidies for all of those public transport services. This would enable an option for the government to create additional penalty schemes that have been mentioned earlier. This way, the compliancy towards SLAs could be enforced on all public transport services operating inside Metropolitan Jakarta. Another additional benefit is that a seamless integrated fare scheme could be implemented across all public transport modes in Metropolitan Jakarta, which will further encourage public transport ridership in the region.

3.1.1.3 Potential Challenges

Despite all the advantages explained in the previous section, there is also a set of disadvantages that comes with it. This section will explain challenges that would come up with this institutional setup, completed with the mitigation measure to address each of the issues. The challenges of having this institutional setup are as follows:

- **Potentially violating regional autonomy policy:** Indonesia has long decentralised its governance with the regional autonomy policy in place. It was stated in Law No. 23 of 2014 on Regional Government that the local governments currently have the authority on most governance aspects, including transportation.
Mitigation: Adjustment of Law No. 23 of 2014 on Regional Government and its derivative regulations are needed to implement this setup. As Laws are created by the President with the National People's Representatives, it will be quite challenging to adjust this regulation.
- **Reduction of authority for local governments:** This institutional setup will take the authority on transportation from the local governments to the national government. This will create resistances from local governments if this setup is to be followed through. Although there are also some authorities being taken away from the Ministry of Transport, considering they are still under the President directly, the resistances would potentially not be as high as resistances from local governments.
Mitigation: The integrated regulator should be formed with local government's chief

executives (Governors and Mayors of provinces and cities in Metropolitan Jakarta) be included in the steering committee of the institution. Another possible mitigation measure is to incorporate officials *ex officio* local governments as decision making officials in the integrated regulator as well.

- **Additional expenses for the national government:** Creation of a new institution with huge responsibility will create huge additional expenses for the national government. Moreover, the integrated regulator will take over local governments’ responsibility that are previously funded by the local governments’ budget.

Mitigation: The national government should receive additional funds that are currently being collected by the local government. This could be done by adjusting Law No. 1 of 2022 on Financial Relations between the Central Government and Regional Government so that local governments in Metropolitan Jakarta would no longer receive any taxes related to transportation and the national government will receive it instead. This way, the integrated regulator will have the additional funds needed, as well as the tools required to conduct any fiscal related measures regarding transportation.

3.1.2. Led by The National Government

3.1.2.1 Overview

The next setup to be proposed is to establish the Minister of Transportation as the integrated regulator, which will also be reporting directly to the president. As suggested by Table 3 below, the Minister of Transportation might create a new supporting unit under them, here called as the Directorate General of Metropolitan Jakarta Transports, to be responsible for inter provincial public transport services, while the Provincial Transport Agency and the City Transport Agency will also still be there to regulate inter cities and intra city public transport services respectively. However, the national government, through the Minister of Transportation, will have the authority over all institutions mentioned by using Minister Regulations which must be followed by provincial and city governments alike.

Table 3 Led by The National Government

Role	Transport Modes	Inter Provinces	Inter Cities	Intra City
Regulator (Government Agencies)	Road-Based	DG of Metropolitan Jakarta Transports	Provincial Transport Agency	City Transport Agency
	Rail-Based			

Although the previous setup could address all the issues mentioned in Section 2 above, the potential challenges and possible mitigations it takes is quite challenging. It might be best to avoid any adjustment on Laws as it would take enormous efforts to align the vision of all related stakeholders such as the President and the National People’s Representatives. Moreover, the

previous setup could also be considered as a step towards centralisation, which is what has been avoided by the government in recent decades reflected by the availability of regional autonomy policy.

3.1.2.2 Opportunities

There are several advantages of having this institutional setup, which are as follows:

- **Readiness of current regulation:** One of the advantages of this setup is that the current regulation could be considered ready to allow this kind of setup. Based on the current applicable regulation in Indonesia, transportation is actually the responsibility of the national government. However, the national government can delegate those responsibilities to local governments, where the local governments should still follow the guidance set by the national government in the form of Minister Regulations. Therefore, by using Minister Regulations, the Minister of Transport could essentially have the function of the integrated regulator for the whole Metropolitan Jakarta.
- **Subsidy could still be distributed for all:** Although the Minister of Transport would only have direct authority towards interprovincial services through the Directorate General of Metropolitan Jakarta Transports, they could provide subsidy to other local governments as well through the “Transfer to Regions” mechanism. This way, the Minister of Transport could create a suitable term and/or conditions to ensure compliancy towards SLA as one of the requirements for local governments to access this fund.

3.1.2.3 Potential Challenges

Despite all the advantages explained in the previous section, there is also a set of disadvantages that comes with it. This section will explain challenges that would come up with this institutional setup, completed with the mitigation measure to address each of the issues. The challenges of having this institutional setup are as follows:

- **Indirect authority:** This setup will only provide the integrated regulator, which is the Minister of Transport, indirect authority over transportation matters in Metropolitan Jakarta. This is because local governments still have the option to “follow” or to “not follow” those Minister Regulations as they still need to issue the respective derivative implementing regulations under them, such as through Governor Regulations or Mayor Regulations. An example of this is the Minister Regulation on the reduction of Annual Road Tax and Vehicle Ownership Fee for electric vehicles back in 2021. Although the Minister Regulation has been made available, only few local governments are following this through by issuing the respective Governor Regulation initially.
Mitigation: One way to mitigate this challenge is to incorporate officials *ex officio* local governments as decision making officials in the Directorate General of Metropolitan Jakarta Transports, which helps the Minister of Transports composing any plan for Metropolitan

Jakarta. This way, the ones who help create any Minister Regulations will also implement it in their respective regions.

- **Additional expenses for the national government:** Although this is not a new institution, the need to provide subsidies for any public transport services in need in Metropolitan Jakarta, as part of the methodology to ensure the SLA compliancy, will result in an increase of expenses for the national government.

Mitigation: Similar to the mitigation measure on the Section 3.1.1.3 above, adjustment of Law No. 1 of 2022 on Financial Relations between the Central Government and Regional Government needs to be taken so that local governments in Metropolitan Jakarta would be no longer receiving any taxes related to transportation and the national government will receive it instead. Another possible mitigation measure is through cooperation between local governments that is supervised by the integrated regulator. These local governments could have an agreement to conduct cross subsidy from regions with higher financial capabilities to the others which will negate any additional expenses to be paid using the national government’s budget.

- **Similar efforts in the past:** A similar effort has been conducted previously with the creation of BPTJ. However, it does not operate as it was intended to.

Mitigation: This might be mitigated by strengthening the institution into a Directorate General form. This way, they can distribute subsidies for public transport services in need. The decision-making positions in the Directorate General of Metropolitan Jakarta Transports should be filled with officials *ex officio* local governments to ensure buy-in and support from the respective local governments.

3.1.3. Led by Governors and Mayors Council

3.1.3.1 Overview

The final setup of the integrated regulator to be proposed in this report is to create a Local Government Cooperation Council as the integrated regulator. Officials from all provincial and city level governments in Metropolitan Jakarta should be the members of this council. This council will be reporting to a Board of Local Governments’ Chief Executive, which is filled by the Governors and Mayors of provinces and cities in Metropolitan Jakarta. The Board of Local Governments’ Chief Executive will serve as a forum of communication amongst the local governments’ leaders. This scheme will be similar to a shareholders’ general meeting for public companies, where a communication forum has the highest authority in an institution.

Table 4 Led by Governors and Mayors Council

Role	Transport Modes	Inter Provinces	Inter Cities	Intra City
Regulator (Government)	Road Based	Tim Koordinasi Kerjasama	Provincial Transport	City Transport Agency

Role	Transport Modes	Inter Provinces	Inter Cities	Intra City
<i>Agencies)</i>	Rail Based	Daerah	Agency	

As suggested by Table 4 above, the Provincial Transport Agency and the City Transport Agency will still be there to regulate inter cities and intra city public transport services respectively. The newly created cooperation council will have direct responsibilities for interprovincial services and will be coordinating local governments for inter cities and intra city transport matters. As opposed to both previous setups, there will be no national government influence as the interprovincial services’ authority is transferred to the cooperation council. The cooperation council governance itself is subject to the negotiation between its members, which are local governments in the Metropolitan Jakarta area.

The idea behind this setup is that the country has shifted into a more decentralised country starting several decades ago. This has put higher autonomy for local governments to decide what is best for their respective region. Moreover, they are led respectively by publicly elected leaders, which makes them potentially having higher support from the public compared to the Minister of Transportation, as stated in the previous proposed setup, as they are not publicly elected. Local governments are currently also in charge of issuing each of their own implementing regulations, such as Governor and Mayor Regulation, which means that they have direct authority over their regions.

3.1.3.2 Opportunities

There are several advantages of having this institutional setup, which are as follows:

- **Direct authority:** The main advantage of this setup is that the chief executives of local governments will have the highest direct authority over their respective regions. Therefore, the Board of Local Governments’ Chief Executive will naturally have the highest direct authority in the Metropolitan Jakarta area.
- **Subsidies could be distributed for all:** The Local Government Cooperation Council will be administered internally through negotiations between its members, which is the local governments in Metropolitan Jakarta, including in terms of its funding. Therefore, each local government inside the council could have cooperation with one another, through the existing Regional Cooperation with Other Regions (KSDD) mechanism, to subsidise all public transport services operating in Metropolitan Jakarta area. This way, the cooperation council could ensure compliancy towards SLA on every public transport service in the area.
- **Institutional readiness:** Currently, each local government already has their own Transportation Agency with the function of planning, evaluating, and providing subsidy for both road- and rail-based transportation in their own region. Therefore, the institutional

setup inside each province and city is already possible to support the implementation of this setup.

3.1.3.3 Potential Challenges

Despite all the advantages explained in the previous section, there is also a set of disadvantages that comes with it. This section will explain challenges that would come up with this institutional setup, completed with the mitigation measure to address each of the issues. The challenges of having this institutional setup are as follows:

- **National government losing authority:** This institutional setup will take the authority on transportation from the national government to the local government completely in the Metropolitan Jakarta area. This will create resistances from the national government if this setup is to be followed through.
Mitigation: The national government could still have some degree of influence if they can provide funds for Metropolitan Jakarta public transports through available mechanisms. As currently the national government already provides subsidies for the Commuter Line, then it should be continued using any suitable mechanism between the national government and the cooperation council, as they will be the regulator, including subsidy distributor, for the Commuter Line service.
- **Different financial capabilities:** As stated in the beginning of the report, one of the main reasons for an uneven mass public transport development across the Metropolitan Jakarta area is the differences in financial capabilities between regions. However, each local government will still have the responsibility to develop their own intra and inter cities public transports.
Mitigation: Other regions with higher financial capabilities could provide subsidies with an exchange of something, for example political willingness to implement the system, which will be part of the negotiations happening inside the cooperation council. KSDM mechanism could be used to maximise each region's best potential.
- **Different priorities:** Another reason for an uneven mass public transport development across the Metropolitan Jakarta area is due to the different priorities each local governments have. The creation of an integrated regulator in this setup will not make all its members have the same priorities. Negotiations with local governments with little to none interest to develop public transport in their region will be challenging for the cooperation council.
Mitigation: Fundings from the national government could be used as a tool to coordinate local governments, in particular to help the cooperation council to get every member of the council aligned with each other.
- **Similar efforts in the past:** A similar effort has been conducted previously with the creation of Badan Kerjasama Pembangunan (BKSP) Jabodetabekjur or Metropolitan Jakarta Development Coordination Agency. However, it does not operate as it was intended to.
Mitigation: Information regarding BKSP Jabodetabekjur seems to be limited from the

interview with related stakeholders as it focuses on the whole aspects, not only transportation. One article written in 2018¹ suggests that their communications weaken as time goes. This indicates that the integrated institution should not be filled with officials *ex officio* local governments and should be filled with full-time professionals or officials instead. However, a deeper study regarding this will need to be done.

- **Unfamiliar institution’s governance:** Currently the examples of utilising a council of local governments which reports to a board consisting of local governments’ chief executive is hard to be found.

Mitigation: Deeper study on the institutional governance, setup, and positioning with other existing institutions will need to be done.

3.2. Integrated Implementer

Not only on the regulator side, there should also be an integrated institution on the implementer side. As mentioned in the beginning of the report, the integrated implementer should be in the form of a business entity. As opposed to government institutions that are heavily regulated by existing regulations, business entities usually are more flexible to be adjusted through corporate actions. Therefore, the integrated implementer proposed setups in this document will try to integrate all existing involved business entities into as few business entities as possible.

There are three objectives of having the integrated implementer. The first objective is to enable public transport services spanning across borders and connecting all the regions in Metropolitan Jakarta. The next objective is to optimise all public transport routes, even between different modes. And the last objective is to enable all public transport services to receive subsidies either from the national or local governments.

To achieve all the objectives they are intended to, the integrated implementer needs to have one major function in place, which is implementing function. The integrated implementer needs to implement all strategy and plans that have been set by the regulators. This includes developing new public transport routes, developing and doing action plans to achieve ridership targets, and implementing the overall long- and mid-term transport strategy for the entire area.

3.2.1. Subsidiary of Road- and Rail-Based State- and Regional-Owned Companies

3.2.1.1 Overview

The first proposed setup for the integrated implementer is to have a single institution as the integrated implementer for all public transport in the Metropolitan Jakarta area. The institution should be a jointly-owned subsidiary between the national and local governments, which could also be represented by State-Owned Enterprises (SOE) and Regional-Owned Enterprises (ROE).

¹

<https://megapolitan.kompas.com/read/2018/01/08/14204621/gubernur-banten-sebut-kerja-bksp-jabodetabekjur-ken-dur-karena-pernyataan>

Thus, the head of the institution will be reporting to the national and local governments, either directly or indirectly, as the owner of the company. As suggested by [Table 5](#) below, the integrated implementer will be responsible for all public transport services in Metropolitan Jakarta. This does not mean that the integrated implementer will operate all of the public transport services, rather it means that the integrated implementer will contract suitable operators to operate each public transport system in Metropolitan Jakarta (e.g., they will contract PT MRT Jakarta to operate MRT line, PT Transjakarta to operate BRT services, etc.).

Table 5 Subsidiary of Road- and Rail-Based State- and Regional-Owned Companies

Role	Transport Modes	Inter Provinces	Inter Cities	Intra City
Implementer (Business Entity)	Road Based	Integrated Implementer		
	Rail Based			

Most public transports in Metropolitan Jakarta, in particular the road-based ones, are currently running without any enforcement from the government due to the dilemma of imposing a penalty towards those who do not comply with the SLA. Therefore, distribution of funds from the regulator to the implementer are needed to have more feasible penalty schemes, as mentioned previously in the beginning of this report. The main idea of this proposed setup is that the integrated implementer would be able to receive subsidies from all regulators in the area, which is the national and local governments, as they are jointly-owned by the national and local governments. This way, the relevant regulators could enforce SLA compliance for all public transport operators through the hand of the integrated implementer.

The existence of an integrated implementer will make it easy to point out who will be responsible to implement any overall transportation strategy. This will ensure the achievement of pre-determined targets set by the regulators, including higher degree outcomes such as emission level and mode share.

3.2.1.2 Opportunities

There are several advantages of having this institutional setup, which are as follows:

- **Full responsibility:** The main advantage of this setup is that the integrated implementer will have the full responsibility for carrying out the transportation strategy of the government. Therefore, the integrated implementer can take actions towards all public transport services, regardless of modes used and operational area.
- **Unlimited by administrative borders:** The next advantage of this setup is that the development of public transportation routes will be able to be extended across any administrative borders inside Metropolitan Jakarta. This way, the inequality of public

transport developments between regions will be addressed and each region will be served with public transports with similar levels of services.

- **Receiving subsidies from all:** The distribution of funds from the regulator to the implementer will be necessary to ensure the compliance of SLA throughout the public transport service. As the integrated implementer will be responsible for inter provincial, inter cities, and intra city public transport services, they will need to be able to receive subsidy from regulators of all services, which are the national government, provincial government, and city government ([Table 1](#)). As the integrated implementer will be jointly-owned by national and local governments, they would be able to receive subsidies from all levels of governments and encourage compliancy towards SLA on all public transport services.

3.2.1.3 Potential Challenges

Despite all the advantages explained in the previous section, there is also a set of disadvantages that comes with it. This section will explain challenges that would come up with this institutional setup, completed with the mitigation measure to address each of the issues. The challenges of having this institutional setup are as follows:

- **Potentially violating transportation administration policy:** The country is currently differentiating the administration of road- and rail-based public transport services through two different Laws. This has also made a company need to be specialised in road- or rail-based services, and not be both.
Mitigation: Adjustment of Law No. 22 of 2009 on Road Traffic and Transportation and Law No. 23 of 2007 on Railways, or introducing new Law to integrate both systems, along with adjustment on their derivative regulations are needed to implement this setup. As Laws are created by the President with the National People’s Representatives, it will be quite challenging to adjust this regulation.
- **Potential conflict of interests:** As mentioned previously, the national and local government would own the integrated implementer, including through their respective SOEs and ROEs. However, as companies based on the transportation industry are allowed to manage public transportation services, the potential owners of the integrated implementer would also be the potential operators that will need to be contracted by the integrated implementer. This will potentially be creating conflict of interests as they will have double roles related to the integrated implementer, which is as the owner and as their contractor.
Mitigation: The first mitigation measure is to adjust related regulations regarding SOE and/or ROE that prevents government-owned companies from receiving subsidies from their subsidiaries. Another mitigation measure is for the current companies, such as Transjakarta and KCI, to establish subsidiaries to act solely as the operator so that the new subsidiaries could be contracted by the integrated implementer to operate the services.
- **Loss of roles:** Currently, Transjakarta is already operating as a bus management company where they contracted operators to operate bus services on behalf of Transjakarta. The

creation of an integrated implementer will put the integrated implementer as a single public transport management company. Transjakarta roles will be bypassed and the integrated implementer could directly contract bus operators to operate bus services in Metropolitan Jakarta

Mitigation: Adjustment of Regional Regulations or Government Regulations related to the creation of Transjakarta will be needed. As Regional Regulations or Government Regulations are created by involving the People’s Representatives, it will be quite challenging to adjust this regulation.

3.2.2. Separate Subsidiaries of State- and Regional-Owned Companies for Road- and Rail-Based Services

3.2.2.1 Overview

The next setup to be proposed is to have two separate institutions as the integrated implementer, each for the road- and rail-based public transports of Metropolitan Jakarta area respectively. Both of the institutions should be a jointly-owned subsidiary between the national and local governments, which could also be represented by State-Owned Enterprises (SOE) and Regional-Owned Enterprises (ROE). Thus, the head of the institution will be reporting to the national and local governments, either directly or indirectly, as the owner of the company. Similar to the previous setup, those integrated implementers will not necessarily be operating all of the public transport services. Rather they would contract suitable operators to operate each public transport system in Metropolitan Jakarta.

Table 6 Separate Subsidiaries of State- and Regional-Owned Companies for Road- and Rail-Based Services

Role	Transport Modes	Inter Provinces	Inter Cities	Intra City
Implementer (Business Entity)	Road Based	Integrated Road Based Implementer		
	Rail Based	Integrated Rail Based Implementer		

The main reason why this was included as one of the options is to avoid any changes in high level regulations, such as Law, which was needed in the previous proposed setup. This setup is also ensuring that the advantages of the previous setup will also still be there, namely the fund distributions from all levels of governments and some degree of clarity on who will be responsible to implement any overall transportation strategy and ensuring the achievement of pre-determined targets.

3.2.2.2 Opportunities

There are several advantages of having this institutional setup, which are as follows:

- **Clear responsibility:** Although not as clear as the first setup, the main advantage of this setup is that the integrated implementers will have the full responsibility for carrying out the transportation strategy of the government in their own respective field. Therefore, the integrated implementers can take actions towards all public transport services inside Metropolitan Jakarta area, regardless of the operational area.
- **Unlimited by administrative borders:** The next advantage of this setup is that the development of public transportation routes will be able to be extended across any administrative borders inside Metropolitan Jakarta. This way, the inequality of public transport developments between regions will be addressed and each region will be served with public transports with similar levels of services.
- **Receiving subsidies from all:** The distribution of funds from the regulator to the implementer will be necessary to ensure the compliance of SLA throughout the public transport service. As the integrated implementer will be responsible for inter provincial, inter cities, and intra city public transport services, they will need to be able to receive subsidy from regulators of all services, which are the national government, provincial government, and city government ([Table 1](#)). As the integrated implementer will be jointly-owned by national and local governments, they would be able to receive subsidies from all levels of governments and encourage compliance towards SLA on all public transport services.
- **Replicable:** As it will involve road- and rail-based SOEs and ROEs separately to form the new integrated implementer, other metropolitan cities in Indonesia could be replicating the strategy where necessary. For example, a city without a city-owned rail-based company could still create an integrated implementer for the road-based services if they already have a city-owned road-based company, and vice versa.

3.2.2.3 Potential Challenges

Despite all the advantages explained in the previous section, there is also a set of disadvantages that comes with it. This section will explain challenges that would come up with this institutional setup, completed with the mitigation measure to address each of the issues. The challenges of having this institutional setup are as follows:

- **Potential conflict of interests:** As mentioned previously, the national and local government would own the integrated implementer, including through their respective SOEs and ROEs. However, as companies based on the transportation industry are allowed to manage public transportation services, the potential owners of the integrated implementer would also be the potential operators that will need to be contracted by the integrated implementer. This will potentially be creating conflict of interests as they will have double roles related to the integrated implementer, which is as the owner and as their contractor.

Mitigation: The first mitigation measure is to adjust related regulations regarding SOE and/or ROE that prevents government-owned companies from receiving subsidies from their subsidiaries. Another mitigation measure is for the current companies, such as

Transjakarta and KCI, to establish subsidiaries to act solely as the operator so that the new subsidiaries could be contracted by the integrated implementer to operate the services.

- **Loss of roles:** Currently, Transjakarta is already operating as a bus management company where they contracted operators to operate bus services on behalf of Transjakarta. The creation of an integrated implementer will put the integrated implementer as a single public transport management company. Transjakarta roles will be bypassed and the integrated implementer could directly contract bus operators to operate bus services in Metropolitan Jakarta

Mitigation: Adjustment of Regional Regulations or Government Regulations related to the creation of Transjakarta will be needed. As Regional Regulations or Government Regulations are created by involving the People’s Representatives, it will be quite challenging to adjust this regulation.

- **Unoptimised route between modes:** As there will be two separate institutions to implement road- and rail-based public transport services respectively, the optimisation between road- and rail-based public transport routes will not be happening naturally.

Mitigation: This could be mitigated by also creating an integrated regulator. The route optimisation between modes should be controlled by the integrated regulator.

3.2.3. Separate Jakarta Regional-Owned Companies for Road- and Rail-Based Services

3.2.3.1 Overview

The next setup to be proposed is to strengthen the role of current Jakarta ROEs into becoming integrated implementers for the whole Metropolitan Jakarta area separately between road- and rail-based public transports. Both of them will still be owned by Jakarta Provincial Government, or through its ROEs. Thus, the head of those institutions will be reporting to the Jakarta Provincial Government, either directly or indirectly, as the owner of the company. Similar to the previous setup, those integrated implementers will not necessarily be operating all of the public transport services. Rather they would contract suitable operators to operate each public transport system in Metropolitan Jakarta.

Table 7 Separate Jakarta Regional-Owned Companies for Road- and Rail-Based Services

Role	Transport Modes	Inter Provinces	Inter Cities	Intra City
Implementer (Business Entity)	Road Based	Integrated Road Based Implementer (TJ)		
	Rail Based	Integrated Rail Based Implementer (MRT-J or LRT-J)		

The main reason why this was included as one of the options is to avoid any changes regarding the establishment of existing SOEs or ROEs, such as Transjakarta. That would require quite high-level regulations, which is Regional Regulation, which also involves the Regional People’s

Representative. Another reason why it was decided that the Jakarta-owned company should be strengthened is due to the fact that currently Jakarta already has both road- and rail-based companies in place.

3.2.3.2 Opportunities

There are several advantages of having this institutional setup, which are as follows:

- **Clear responsibility:** Although not as clear as the first setup, the main advantage of this setup is that the integrated implementers will have the full responsibility for carrying out the transportation strategy of the government in their own respective field. Therefore, the integrated implementers can take actions towards all public transport services inside Metropolitan Jakarta area, regardless of the operational area.
- **Mimics the trip pattern:** Currently Jakarta is the main activity centre for Metropolitan Jakarta. All trips are mainly either going towards or from Jakarta. Therefore, it would be natural that the Jakarta Provincial Government has a considerably high level of ownership in the transportation sector for the whole Metropolitan area.
- **Accommodate the existence of current companies:** Currently there is a public transport management company already operating inside the Metropolitan Jakarta area, which is Transjakarta. Transjakarta already operates bus services by contracting numerous bus operators. Moreover, Transjakarta already has some routes reaching outside Jakarta although on a limited scale. This setup will allow Transjakarta to operate as is and will not require the government to change any applicable regulations regarding the establishment of Transjakarta.

3.2.3.3 Potential Challenges

Despite all the advantages explained in the previous section, there is also a set of disadvantages that comes with it. This section will explain challenges that would come up with this institutional setup, completed with the mitigation measure to address each of the issues. The challenges of having this institutional setup are as follows:

- **Limited to Jakarta:** As both the integrated implementers for road- and rail-based public transports are companies owned by Jakarta, they will not be able to extend their route outside Jakarta administrative borders.
Mitigation: This could be mitigated by establishing a distribution of funds to Jakarta Provincial Government from both the national government, through Specifically Allocated Fund (DAK), and other local governments, through Cooperation between Regions (KSDD) to fund route development and operation beyond Jakarta administrative borders.
- **Limited source of subsidy:** Currently, government owned companies could only receive subsidy from their respective majority shareholder. For example, a Jakarta-owned company could only receive a subsidy from Jakarta even if they are also owned in a smaller fraction by the national government. As this setup would put Jakarta-owned companies as the

integrated implementers, those integrated implementers would not be able to receive subsidy from the others except Jakarta even though they will be required to expand public transport routes into other parts of Metropolitan Jakarta.

Mitigation: This could be mitigated by establishing a distribution of funds to Jakarta Provincial Government from both the national government, through Specifically Allocated Fund (DAK), and other local governments, through Cooperation between Regions (KSDD) to fund route development and operation beyond Jakarta administrative borders.

- **Unavailability of suitable institution**: Although there is already a company suitable to become the road-based integrated implementer, there are currently no suitable rail management company to become the rail-based integrated implementer. All rail-based companies owned by Jakarta are currently not contracting their services towards rail operators, rather they operate the service themselves. In other words, they are currently rail operators themselves and not rail management companies, which is needed to assume the role of an integrated implementer.

Mitigation: Adjustment of related regulations, such as Regional Regulation, on the establishments of rail-based operating companies owned by Jakarta might be needed.

- **Unoptimised route between modes**: As there will be two separate institutions to implement road- and rail-based public transport services respectively, the optimisation between road- and rail-based public transport routes will not be happening naturally.

Mitigation: This could be mitigated by also creating an integrated regulator. The route optimisation between modes should be controlled by the integrated regulator.

3.2.4. Combination of Jakarta Regional-Owned Companies for Road-Based and Subsidiary of State- and Regional-Owned Companies for Rail-Based Services

3.2.4.1 Overview

The last setup to be proposed in this report is to combine the second and third setup. As suggested by [Table 8](#) below, Jakarta's ROE would assume the position of integrated road-based implementer, while a subsidiary between the national and local governments, or through their SOEs and ROEs, would assume the position of integrated rail-based implementer. Potential companies that could be given the status of integrated implementer would be Transjakarta, as the integrated road-based implementer, and MITJ, a subsidiary between the state-owned KAI and Jakarta regional-owned MRT Jakarta as the integrated rail-based implementer. Head of those institutions will be reporting to their owner, which is as currently is. Similar to the previous setup, those integrated implementers will not necessarily be operating all of the public transport services. Rather they would contract suitable operators to operate each public transport system in Metropolitan Jakarta.

Table 8 Combination of Jakarta Regional-Owned Companies for Road-Based and Subsidiary of State- and Regional-Owned Companies for Rail-Based Services

Role	Transport Modes	Inter Provinces	Inter Cities	Intra City
Implementer (Business Entity)	Road Based	Integrated Road Based Implementer (TJ)		
	Rail Based	Integrated Rail Based Implementer (MITJ: KAI and MRT)		

The main reason behind this setup is due to the availability of current institutions. As mentioned previously, there is already an operating road-based public transport management company in Metropolitan Jakarta, namely Transjakarta. While there are no rail-based public transport management companies currently operating in Metropolitan Jakarta, there is already a jointly-owned company between the national government and local governments in the field of railways, namely Moda Integrasi Transit Jabodetabek (MITJ), which is a jointly-owned by state-owned KAI and Jakarta-owned MRT Jakarta.

3.2.4.2 Opportunities

There are several advantages of having this institutional setup, which are as follows:

- **Clear responsibility:** Although not as clear as the first setup, the main advantage of this setup is that the integrated implementers will have the full responsibility for carrying out the transportation strategy of the government in their own respective field. Therefore, the integrated implementers can take actions towards all public transport services inside Metropolitan Jakarta area, regardless of the operational area.
- **Accommodate the existence of current companies:** Currently there is a public transport management company already operating inside the Metropolitan Jakarta area, which is Transjakarta. Transjakarta already operates bus services by contracting numerous bus operators. Moreover, Transjakarta already has some routes reaching outside Jakarta although on a limited scale. This setup will allow Transjakarta to operate as is and will not require the government to change any applicable regulations regarding the establishment of Transjakarta.
- **Utilising available resources:** Currently there is a public transport management company for road-based services already operating inside the Metropolitan Jakarta area, which is Transjakarta. Transjakarta already operates bus services by contracting numerous bus operators. On the other hand, for rail-based services, there is already a company owned jointly by the national government and Jakarta provincial government. It is called MITJ, which is owned by KAI, a state-owned company, and MRT Jakarta, a Jakarta provincial owned company. Therefore, this setup will not require the formation of any new companies.

3.2.4.3 Potential Challenges

Despite all the advantages explained in the previous section, there is also a set of disadvantages that comes with it. This section will explain challenges that would come up with this institutional setup, completed with the mitigation measure to address each of the issues. The challenges of having this institutional setup are as follows:

- **Geographical limitation:** As the integrated implementer for road-based public transports is a company owned by Jakarta, they will not be able to extend their route outside Jakarta administrative borders.
Mitigation: This could be mitigated by establishing a distribution of funds to Jakarta Provincial Government from both the national government, through Specifically Allocated Fund (DAK), and/or the other local governments, through Cooperation between Regions (KSDD), to fund route development and operation beyond Jakarta administrative borders.
- **Limited source of subsidy:** Currently, government owned companies could only receive subsidy from their respective majority shareholder. For example, a Jakarta-owned company could only receive a subsidy from Jakarta even if they are also owned in a smaller fraction by the national government. As this setup would put Jakarta-owned companies as the integrated implementer for the road-based public transports, they would not be able to receive subsidy from the others except Jakarta even though they will be required to expand public transport routes into other parts of Metropolitan Jakarta.
Mitigation: This could be mitigated by establishing a distribution of funds to Jakarta Provincial Government from both the national government, through Specifically Allocated Fund (DAK), and other local governments, through Cooperation between Regions (KSDD), to fund route development and operation beyond Jakarta administrative borders.
- **Potential conflict of interests:** In this setup, KAI and MRT Jakarta will be the owner of MITJ as the integrated rail-based implementer. However, unlike KAI which has a subsidiary called KCI that operates the commuter line, MRT Jakarta operate their own services themselves. This will potentially be creating conflict of interests as MRT Jakarta will have double roles related to MITJ, which is as the owner and as their contractor.
Mitigation: The first mitigation measure is to adjust related regulations regarding SOE and/or ROE that prevents government-owned companies from receiving subsidies from their subsidiaries. Another mitigation measure is that MRT Jakarta could establish subsidiaries to act solely as the operator so that the new subsidiary could be contracted by the integrated implementer to operate the services.
- **Unoptimised route between modes:** As there will be two separate institutions to implement road- and rail-based public transport services respectively, the optimisation between road- and rail-based public transport routes will not be happening naturally.
Mitigation: This could be mitigated by also creating an integrated regulator. The route optimisation between modes should be controlled by the integrated regulator.

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