

MARITIME TRANSPORTATION IN INDONESIAN POLICY

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Abstract

In a period of 5 years (19.962 million) the number of shipping companies in Indonesia increased from 1,156 into 1,724 pieces, or increased 568 companies (an average increase of 10.5% pa). While the strength of the national shipping fleet enlarged, from 6.156 into 9.195 units (an average increase of 11.3% pa). But in terms of haulage capacity rose only slightly, namely from 6,654,753 into 7,715,438 DWT. Means the average capacity of the national shipping company declined. Throughout this period, the volume of sea trade grew 3% pa. The volume of freight rose from 379,776,945 tonnes (1996) to 417,287,411 tonnes (2000), or an increase of 51,653,131 tons within five years, but not all of that growth can be met by the capacity of the national shipping company (Indonesian-flagged vessels), even for domestic shipping (between ports in Indonesia). In 2000, the number of foreign ships which reached 1,777 units with a capacity of 5,122,307 DWT domestic load scooped by 17 million tonnes or about 31%.

As a result, the Indonesian shipping industry is currently very poor. National shipping companies compete in national and international shipping market, due to weakness in all aspects, such as size, age, technology, and speed boats. In the field of international cargo (export / import) share of the national shipping company is only about 3% to 5%, with a declining trend (see Table below). These proportions are very unbalanced and unhealthy for the growth of the national shipping fleet strength.

Keywords: *Indonesian Policy; Maritime Transportation; Shipping.*

A. INTRODUCTION

The islands in Indonesia can only be connected through the seas between the islands. Sea is not dividing, but uniting the various islands, areas and regions of Indonesia. Only through a nexus between the islands, between the beach, the unity of Indonesia can be realized. The cruise that connects the islands, was once the lifeblood of unifying the nation and the State of

Indonesia¹. Sriwijaya greatness of Majapahit history or the proof that the triumph of a State in the archipelago can only be achieved through maritime excellence. Therefore, the development of national shipping industry as a strategic sector, should be prioritized in

1 Supit, Hengky et al. 2009. Special Guidelines for Safety and Security Shipping. (Pdf). BAKORKAMLA. Jakarta.

order to improve Indonesia's competitiveness in the global market. Because almost all commodities for international trade is transported by infrastructure maritime transport, and balancing regional development (between eastern Indonesia and western) for the sake of the unity of Indonesia, because the area is remote and less developed (the majority located area of eastern Indonesia is rich in natural resources) requires access to the market and got the service, which often can only be done with maritime transport².

The cruise is everything associated with maritime transport, harbor, and security and safety. Broadly speaking there are two types shipping commercial shipping (associated with commercial activities) and shipping Non Commercial (associated with non-commercial activities such as arts administration and the State)³.

Transport waters (in this paper is compared to maritime transport) is an activity carriage of passengers or goods, and or animals, through a territorial waters (sea, rivers and lakes crossing) and territories certain (domestic or foreign), using ship, for special and general services. Waters are divided into⁴:

- a. The sea: The sea area.
- b. Bodies rivers and lakes: inland water areas, namely: rivers, lakes, reservoirs, swamps, flood canal and the canal.
- c. Water crossings: the territorial waters of that decided the road network or the railway. Serves as a

bridge crossing transport mover, connecting lines.

Sailing Theory divided into⁵:

- a. In the country: for domestic transport, from one port to another port in Indonesia.
- b. Overseas: for international transport (export / import), from Indonesian ports (which is open to foreign trade) to foreign ports, and vice versa.

Transport of the Interior held with Indonesian flagged ship, in the form of:

- a. Special Transport, which was held only to serve the interests of their own as supporting the core business and does not serve the public interest, in marine waters, and river and lakes, by companies that have a license for it.
- b. Public Transport, organized to serve the public interest, through: a cruise of the people, by an individual or legal entity established specifically for the cruise business, and have at least one kind of traditional Indonesian flagged vessels (sailboats, or traditional motor sailing ship or boat measuring at least 7GT), operating in marine waters, and rivers and lakes in the country.

National Shipping, by a legal entity established specifically for shipping activities, and who have at least one Indonesian flagged vessels types of non-traditional, operating in all types of waters (sea, rivers and lakes,

2 *Ibid.*

3 YC Randy Aguw. 2013. Responsibilities under the Maritime Safety Syahbandar Judging of Act No.17 of 2008 on Shipping. 51-52 case

4 *Ibid.*

5 Willy Widiyanto. 2011. Windu Karsa Sink, Evidence Inattentive Government. [on line]. Accessed on: <https://id.berita.yahoo.com/windu-karsa-tenggelaam-bukti-pemerintah-lalai-084721023.html>. 4.6.13. p. 1.

crossing) and territory (domestic and overseas). Pioneering voyages organized by the government in all territorial waters (sea, rivers and lakes, crossing) in the country to serve remote areas (which are not yet served by shipping services that operate fixed and regular or other modes of transportation is not adequate) or in underdeveloped regions (very low income levels), or which are commercially not favorable for sea transport⁶.

Overseas transport organized by the Indonesian and foreign-flagged ships, by: national shipping companies that have at least one Indonesian flagged vessels, measuring 175GT; joint shipping companies, including foreign companies with national companies that have at least one Indonesian flagged vessels, measuring 5,000GT; and foreign shipping companies, which must be mediated by a national company with ownership of at least one Indonesian flagged vessels, measuring 5,000GT for international shipping or at least one Indonesian flagged vessels, measuring 175GT for cross-border shipping⁷.

B. DISCUSSION

1. Maritime Transport In Indonesia

Freight services business has several fields of business support, ie business activities that support the process of transportation, such as is described below⁸:

- a. Businesses loading and unloading of goods, namely the dismantling of business activity and goods and animals from and to the ship.
- b. Enterprises management of transport services (freight forwarding), namely operations for sending and receiving of goods and animals through land, sea, and air.
- c. The ships freight forwarding business, the business activities of the documents and work relating to the acceptance and delivery of cargo to be shipped by sea.
- d. The freight business in harbour waters, namely the transfer of passenger and business activities or goods or animals from the dock to the ship or vice versa and from ship to ship in the waters of the harbour.
- e. Enterprises of sea transport equipment leasing or floating device, which provides the business activities and supporting equipment leasing and sea transport or floating tool for servicing of vessels.
- f. Enterprises tally, the business activities of calculation, measurement, weighing and recording of interest charge cargo owners or transporters.
- g. Enterprises container depot, the business activities of storage, stacking, cleaning, repair, and other activities associated with the administration of container.

2. Brief Chronology of Indonesian Maritime Transport Policy

In 1985 issued Presidential Instruction No. 4 which aims to

⁶ *Ibid.*

⁷ Act No. 17 of 2008 on Shipping

⁸ Willy Widiyanto. 2011. Windu Karsa Sink, Evidence Inattentive Government. [on line]. Accessed on: <https://id.berita.yahoo.com/windu-karsa-tenggelam-bukti-pemerintah-lalai-084721023.html>. 4.6.13. P1.

increase non-oil exports to reduce the cost of shipping and ports. Ports that serve foreign trade increased in number dramatically, from only 4 to 127. For the first time Indonesian shipping entrepreneurs have to deal with competitors such as feeder operators who are able to rent a lower cost. Liberation continued in 1988 when the government give easy domestic market protection. Since then, the establishment of shipping companies are no longer required to have Indonesian-flagged vessels. Type of permit cruise trimmed from five just two. The shipping company has greater flexibility in shipping and the use of these vessels (even the use of foreign ships for domestic shipping). De facto, the cabotage principles no longer apply⁹.

In this year also imposed must shortly supplying scrap old ships and ships from domestic shipyards. Cruise Act number 21 of 1992, further strengthening the protection easing. Under Law 21/92 of foreign companies to do joint ventures with national shipping company for domestic shipping. Government Regulation No. 82 of 1999, the government attempted to change the policy that is too loose, to set policy as follows¹⁰:

- a. National shipping factory of Indonesia must have at least one Indonesian-flagged vessel, measuring 175 GT.
- b. Foreign-flagged ship is allowed to operate in the domestic shipping only within a limited period (3 months).
- c. Agents of foreign shipping companies ship must have an Indonesian-flagged ship, measuring 5,000 GT.
- d. In a joint venture, a national company must have at least one Indonesian-flagged ship, measuring 5,000 GT (double the 1988 deregulation requirements 2.500). Employers of foreign ship agent protested loudly, so that the implementation of these provisions was postponed until October 2003.
- e. The domestic shipping network is divided into three types of routes, namely the primary (main route), feeder (feeder route) and Pioneer (pioneer route). Type of cruise operating licenses disaggregated stretch and the type of load (passenger, general cargo and containers). Regulation and deregulation circuit mentioned above is one factor of the conditions and problems facing the maritime transport sector in Indonesia, from time to time.

3. Maritime Transport Fleet Profile In Indonesia

In terms of the amount of DWT capacity of conventional ships and tankers dominate the shipping fleet of aging (the average age of

9 Rosihan Arsyad. 2012. Save Our Soul. [on line]. Accessed on: <http://www.shnews.co/kolom/periskop/detile-54-selamatkan-jiwa-kami-di-laut.html>. 4.6.14.

10 Experts Indonesian Offshore Shipping Association (IOSA). 2010 Shipping Law Implementation Issues. [on line]. Accessed on: <http://www.hukumonline.com/berita/baca/lt4dfb22c545ed4/masalah-dalam-penerapan-uu-pelayaran-broleh--pieter-batti->. 4.6.14.

ships in Indonesia 21 years, in 2001, compared to Malaysia's 16-year, 2000, or Singapore is 11 years old, 2000). Nevertheless, it is precisely the capacity of dry-bulk cargo and bulk liquid domestic market share of the smallest national carrier. In general, Indonesia bring general cargo ships, but about half the dry-bulk cargo and liquid-bulk transported by foreign ships or foreign flagged vessel lease. Overall national fleets to reap 50% domestic market share. About 80% liquid-bulk from PT Pertamina. Sea freight ferry passengers not primarily served by PT Pelni which operates 29 vessels (in the last five years, PT Pelni add 10 ships). The private company is also raising a fleet of 430 (1997) into 521 units (2001)¹¹.

Sailing Fleet of the People, which consists of a timber ship (eg type of Pinisi, as much anchored in port Sunda Kelapa) establishing a mechanism for the unique marine transportation industry. The ships are relatively small (but very much) serve markets that are not accessible to large ships, both because of three factors: financial (less favorable) or physical (shallow harbor). The cruise industry plays a very important people in the distribution of goods and parts of Indonesia. Fleet pelayanan people carry 1.6 million passengers (about 8% of passengers instead of the ferry) and 7.3 million metric tons of

goods (about 16% of general cargo). But the strength of this fleet is likely to weaken, seen from a capacity of 397 000 GRT in 1997 to 306,000 GRT in 2001. (source: Stramindo, based on statistics DGST)¹².

4. Maritime Transport Problems In Indonesia

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11 Robert. 2013. The sinking of KM Karya Indah. [on line]. Accessed on: <http://news.detik.com/read/2013/05/21/231232/2252398/10/insiden-tenggelamnya-km-karya-indah-di-sungai-mahakam-dipolisikan?nd771104bcj>. 4.6.14.

12 *Ibid*.

13 Voice Reform. Seafarers' Welfare, 2012. Low, Boat Accidents also occurred. [Online] paragraphs 10-11 <http://www.suarapembaruan.com/ekonomidanbis>

As a result, the Indonesian shipping industry is currently very poor. National shipping companies compete in national and international shipping market, due to weakness in all aspects, such as size, age, technology, and speed boats. In the field of international cargo (export / import) share of the national shipping company is only about 3% to 5%, with a declining trend. These proportions are very unbalanced and unhealthy for the growth of the national shipping fleet strength.

In 2002 data shows that Indonesia's national shipping fleet worsened the domestic cargo market. Mastery market share shrunk by 19% to only 50% (2000: 69%). As for international cargo remains the range of 5%. From the financial side, Indonesia lose your chance to win foreign exchange of US \$ 10.4 billion, just off the ocean transportation for cargo export / import only. Instead benefit from the implementation of the cabotage principle (which is not tight) Indonesian shipping industry instead relies heavily on foreign rental boats. National fleet of cruise Indonesia faces many problems, such as: lots of boats, especially conventional type, unemployed Because of cargo prolonged waiting time; there is excess capacity, which sometimes trigger a price war is not healthy; There are quite a lot of boats, but only a few are able to provide satisfactory service; Dry cargo fleet productivity level is very low, only 7.649 ton-miles / dwt

or approximately 39.7% compared to the fleet of its kind in Japan were 19.230 ton-miles / DWT¹⁴.

Shipping situation is very complicated, because dependence on foreign rental boats coincided with domestic fleet overcapacity. Situations like the endless loop is caused shipping investment environment that is not conducive. Many shipping companies want to rejuvenate its fleet, but it is difficult to obtain a loan in the domestic money market. And on the other hand is easier to obtain loans from foreign sources. Some larger companies tend to register ships abroad (flagged-out). But small and medium-sized companies can not afford to do so, so that there is no alternative but to use the ship's valuable, but old and scrappy. The result is a growing dependence on foreign ships and decreasing rental fleet productivity.

5. Maritime Transport Investment Issues

In Indonesia, there are two major groups of maritime transport providers, namely by the government (including SOEs) and private. Each group was divided in two. In the government sector is divided into state-owned enterprises which organizes public transport cruise and non-cruise SOEs were only held a special cruise to serve their own interests. The private sector is divided into large enterprises and small enterprises (including cruise people). Variety of investment fund distribution mechanism turned out

nis/kesejahteraan-pelaut-rendah-kecelakaan-kapal-pun-terjadi/21804. 4.6.14.

14 Op.cit.

to be in line with the procurement of ships that division. Each party in each group had its own financing mechanism.

6. Constraints in Ship Financing

Indonesian shipping world faces many structural and systematic barriers in the financial field, as in paparka below¹⁵:

- a. Limitations of the scope and scale of funding sources: Official Development Assistance (ODA), concentrated on public investment in various sectors of development, except shipping. Official of Finance (OOF), export credit from Japan are scheduled reset. Foreign Direct Investment (FDI), so far no government budget is allocated to the procurement of pioneer cruise ship. Foreign Bank loans are available only to large shipping company (credit worthy) national private bank loans are only provided in very small amounts.
- b. The interest rates on domestic loans 15-17% pa for the 5 year term of the loan.
- c. The term of the loan which is only 5 years is too short for the shipping industry.
- d. Currently, ships purchased can not be used as collateral.
- e. No credit program for feeder vessels including cruise people, except for short-term loans amounted to very little of the national bank.
- f. There is no supporting policies.

- g. Procedures borrowing (appraisal, disbursement, installments) less concise.

7. The Future of Maritime Transport

Stramindo predict that in the next 20 years (2004-2024), the volume of dry cargo would be multiplied 2.8 times, the volume of liquid cargo multiplied 1.4 times, and the overall volume of freight domestic be multiplied 2 times. Type of cargo is the fastest-growing container cargo. The volume will be multiplied 5.2 times, from 11 million tonnes (2004) to 59 million tonnes (2024). Dry cargo growth in line with economic growth trends, and does not depend on the availability of natural resources. The level of oil production will be halted in 2006, as would be predicted by the government. In the next 20 years, the volume of oil transportation will decline, even if consumption increases. Oil logistics structure will change, most of the volume of domestic crude oil will be replaced by imported oil¹⁶.

As a result the growth of liquid cargo transportation volume (predominantly oil) is not as fast as dry cargo. The growth of passenger volume (maritime and air transport) will be in line with GDP growth. But higher GDP only has a positive effect on air transport, and the negative effect on sea transport. Because it predicted the proportion of sea-air would change 60-40

15 *Ibid.*

16 Voice Reform. Seafarers' Welfare, 2012. Low, Boat Accidents also occurred. [Online] paragraphs 10-11 <http://www.suarapembaruan.com/ekonomidanbisnis/kesejahteraan-pelaut-rendah-kecelakaan-kapal-pun-terjadi/21804>. 4.6.14.

(2001) became 51-49 (2024) with a low growth rate of 1.5 times. The projected growth in the volume of domestic cargo and passengers who use maritime transport.

C. CONCLUSION

- a. The shipping industry, even maritime transport is one of its parts has many interrelated aspects. Therefore, efforts to increase competitiveness on the relevant aspects need to be carried out simultaneously. Relevant aspects include: housekeeping administration and government management in the sea, including maritime safety and security and the protection of the sea.
- b. Marine transportation industry faced a complicated situation, namely the emergence of problems reliance on foreign rental boats and fleet overcapacity simultaneously.

The situation complicated the base are from a shipping investment environment is not conducive. The shipping company that wants to rejuvenate its fleet, difficult to obtain funding. If left unchecked, these subtleties would like spiral that drags the shipping company towards slump deepened.

- c. There is only one requirement is needed, so that national shipping company can come out of the slump, the conducive investment climate. Conducivity is necessary to empower the shipping company, so that the shipping company has some characteristics of capability in terms of: access to financial resources for procurement of required vessel profited stable businesses avoid decreasing assets ships in medium and long term, reinvested in the fleet more competitive.

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