

## Development of Inter-Island Shipping As a Bridge in Indonesian archipelago

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### Abstract

As an archipelagic state, Indonesia needs a means of transportation to connect one island to another. Therefore, the inter-island shipping plays an important role to load passengers and distribute cargoes from islands to islands as the other means of transportation still limited. However, it seemed that it grew gradually and was unable to fulfill the needs. Stretch of private boats only take as solid lines. Pioneership route that sailed which did not pass the private shipping lines were inadequate in number. Trajectory path was too long to stop to the many ports caused the travel time into a long stretch (of the tripe on average 15 days). The results also indicated that a pioneering trajectory path was still much to coincide and not connected with other cruise lines, especially with government-owned shipping lines (PELNI) subsidized. It caused by some factors ranging from the lack of government support to internal disadvantages. The free competitive policies, following the free trade agreements, made it difficult to grow. To show maritime integrity and sovereignty, such a function was needed to encourage, support and progress.

**KEYWORDS:** inter-island shipping, pioneering shipping, maritime sovereignty

### Introduction

Indonesia is a maritime country with a vast sea of 5.8 million km<sup>2</sup> consisting of territorial waters, sea waters and the 12-mile Exclusive Economic Zone waters of Indonesia. Indonesia also has 17,504 islands with a coastline of 104,000 km (Ministry of Marine Affairs and Fisheries, press release in 28-08-2013). Indonesian region lies between the Pacific Ocean and the Indian Ocean. It puts Indonesian sea in an important position in the world political arena. Geo-economic position of Indonesia is very strategic, because it is located in the heart of world trade. Approximately 45 % of all commodities and goods traded in the world in 2010 were valued at US \$ 1.500 trillion seaborne Indonesia (Dahuri, 2014: 205). As for Indonesia, 89.5 % by volume of import-export trade in value in 2005 reached 136.9 billion US dollars seaborne Indonesia (Ministry of Transportation, 2011: 51).

The geographical nature of Indonesia consists of islands and waters that show such a need for a means of transportation and communication to set and develop a national integration and interaction in the whole life aspects. The role of sea transportation becomes more important and such a first priority in developing the network. Also, it supports the national economics by its efficiency and sufficiency. Since early times, Indonesian waters performs a function as sea lanes of communication between parts of the world, from East to West. Therefore, it performs as interregional and domestic sails. The idea and concept of maritime state already reconigzed by international forum under the United Nation Conference on Law of the Seas II. It began with the Juanda Declaration in 1957 stating an archipelagic state. As a consequence,

Indonesia has to provide such an open waters for international traffics. It puts the national or domestic shipping among the global traffics.

Entering the New Order era, the maritime issues were regulated in Government Decree no. 2, dated January, 18<sup>th</sup> 1969 mentioned the 5 points as follows (*PusatStudiPelayaranNiaga di Indonesia--Center for the study of the commercial Shipping in Indonesia*, 109-110):

1. Domestic shipping, that covering : (a) Interisland, or *Nusantara*, shipping that interconnects main sea harbors transportation; (b) Local Shipping that serves regional networks, and supports the *Nusantara* and international sealines; (c) Traditional shipping with sailships; (d) Hinterland shipping that covers canals and rivers connecting coastal and hinterland areas; (e) Tugboats shipping.
2. International shipping, that covering: (a) Short Distances shipping connects with neighboring countries that no more than 3.000 nautical miles from the outer domestic harbors with any destination; (b) High seas shipping, i.e. long distance sails.
3. Distinguished Shippings, that serve such an extraordinary transportation needs, like industrial wares, mining products, loggings, and other bulks.

Along with the internal and external changes, the government made a further regulation to protect and regulate the national interest in maritime and shipping with making the Act Number 21/1996 that replaced by The Act no. 17/ 2008, which is still valid until nowadays. This paper will focus on inter-island shipping in describing the trajectory conectivities commercial shipping and cruise pioneer.

### **Interisland Shipping**

The last Act mentioned that “the shipping is a systemic unit consisting of waters transportation, harbors, safety, and protection of maritime environments.” Moreover, the Indonesia waters was national territorial seas with islands and hinterlandswaters. Therefore, waters transportation comprisedallactivities to bring and/or move passengers and/or cargoes with ships. The transportation covers sea, rivers and lake, and ferry shipping. Concerning the first mentioned, it had a detail as domestic, international, extra-ordinary and traditional shipping.<sup>1</sup> According to Mulatsih (2008: 77), “Maritime (waters) transportation was an activity to load passengers and/or cargoes and/or livestocks, crossing a waters area, such as seas, rivers, lakes and ferries, and specific regions, i.e. domestics or abroad, with ships to carry special and general services.”

From the description, it was clear that the sailing covers a widescope activity, serving from navy, postal, seatraffic vehicles, coastal guards, hydrogravy to others. From its scope, the shipping consisted of Commercial Shipping, namely cargo transportation and Non-commercial Shipping, i.e. serving the government needs and national defences(Mulatsih 2008: 77). She also depicted it under some categories along with its regional scopes, i.e.:

1. Domestic sealines, that serving shipping among harbors under the national jurisdiction, comprising extra-ordinary carriers and general carriers. The last-mentioned consists of Traditional, National and Pioneer shippings.
2. International shipping, that serves export and import from domestic harbors to abroad, and vice versa.

<sup>1</sup> See also Government Decree No. 20/ 2010

Based on operational scopes and areas, the categorization was Local, Interisland and High Seas Shippings. Related to the services, Mulatsih(2008:78), divided them as Regular or Liner Services and Unregular or Tramp. The differences between both services were the schedules, destinations, operational areas, tariffs, cargoes and contracts.

Comparing to Munawar (2005: 116), who built a consideration from sailing networks, distinguishes it into cargo and passengers carriers. The other distinction relates to Liner and Tramp under the context of foreign, interisland and local shipping. The next based on operational permits, that according to the Act of 1992, mentioned 5 forms that are High Seas, Interisland (Nusantara), Local, Extra-ordinary and Traditional Shipping. However, under the Government Decree No. 17/ 1988 on the regulation of sea transportation, there were only two permits, i.e. for foreign and domestic, and traditional ones (*Transtel Indonesia* 49/ 1987-1988; 6).

The interisland shipping covered the sea communication networks and traffics, not only cargoes but also passengers from one island to another crossing Indonesia waters and connecting the harbors. According to Purwaka (1993: 2, 15):The role of interisland shipping in Indonesia had a strategic position under a national interisland (sea) transportation network. This was because the air transportation still gives a priority to carry passenger and connected areas with airports. Not all regions in Indonesia, especially the underpopulated small islands, had such facilities. The interisland shipping had an important role in Indonesia economic life, because it was a very effective means to carry bulk cargoes or commercial commodities from one island to another.

From its function points of view, the water transportation, such as ships and sailships, could be divided into (Kamaluddin 1987: 63-65):

- a. Passenger Vessels, consisted of distance and short distance sealines, such cruise ships. The loading mere was destined to carry passengers, however, leaves a little room to commercial cargoes, postal and others.
- b. Cargo Freight Vessels
- c. Tankers/ Tank Vessels, for carrying crude oils and other liquid cargoes
- d. Special Cargo Vessels

Moreover, the sea transportation plays a significance role in economic activities. Kamaluddin mentioned(1987: 61-62):

1. That water ways was an important advantage and relatively cheap and efficient means of transportation, especially for bulky and uncoverage or open cargoes.
2. Water transportation supported local industrial developments in the sense of gaining more profits to enter some local markets, especially for such an archipelagic state with its rivers and lakes.
3. It enabled the reduce such a high tariffs of land transportation under a circumstance of highly concurrences between those two
4. The development of shipping industry often showed a technological progress of a nation, especially in the high seas shipping, and it needs political supports to encourage.

Since the early Proclamation of Independence, the transportation sector, including sealines, gained government's attentions to place into cabinets. The revolutionary circumstances caused the political and administrative mechanisms endured unusual. The next political development to the New Order made it impossible to handle sea transportation services as expected, i.e. to encourage interisland shippings.

An important government's policy on transportation traffics, following the Juanda Declaration in 1957 and Government Decree No. 4/ 1961, was Key government policy regarding freight traffic. Following the Juanda Declaration in 1957 and Regulation no. 4 in 1961, was the Government Decree No. no. 5/1964 concerning the permit criteria defined by the ship number ownership. On the selection a year afterward, there were 66 shipping companies, including the PELNI, the flag carrier shipping company that fulfilled prerequisites.

At the same time, the shipping network was improved and a maritime service board was performed as the executor. However, after two years, its performance was considered inefficient so that dismissed and its function was handed over to the Sea Transportation Directorate, General Directorate of Sea Transportation (Dick 1989: 50).

During the New Order, the sea interconnection was considered as important to transportation traffics, both cargoes and passengers, from islands to islands and also to enforce the national integration between the central government and provinces, and among the provinces. Especially to encourage the development programs. In such a context, the role and function of the General Directorate of Sea Communication become more significant. The scope of duties was entitled in the Decree of Minister of Communication No. Km 14/U/Phb-73 dated January, 30<sup>th</sup>, 1973, that included "to carry out a part of the Ministry of Communication that arranged under an operational management of sea transportation destined to make a solid and integrated system of sea transportation that is able to increase the service to all people based on the policy of the Minister of Communication"

During the first of Five Years Development Program (Pelita I) there were some decrees concerning sea transportation. Government decree no. 2 dated January 18, 1969 regulates the commercial ships and establishes the Board of Archipelagic Shared Operation or *Badan Operasi Bersama Nusantara (Bopberpan)*. According to Howard Dick (1989: 51, 52) there were two important decrees, i.e. the review of sea transportation tariffs especially interislands sectors and to enliven such a route networks under the Regular Liner System (RLS). The action was handed over to shipowners under the banner of Indonesia National Shipowners' Association (INSA). It meant to give a room for the market mechanisms.

Since the beginning of the program, the influence of foreign consultants comprising the Dutch and World Bank played an important role in the policy making of the General Directorate of Sea Communication. Those recommended to give more rooms for PELNI, state owned company, rather than to encourage the private companies as the milestone of interisland shipping. In 1972 when the demand of its service increased, the policy was to launch such a restriction of importing used vessels from abroad that caused immediately a lack of national shipping cargo loadings. Therefore, it arised a crisis of foodstuffs interisland distribution (Dick 1989: 51).

To complete the restructuring of the function, the ministry set up several operational units, i.e. harbor authority, navigational districts and coastal guards and patrols. The division has several branch offices to serve and to manage the shipping and divides into 9 areas that centred at Belawan (North Sumatera), Dumai (Riau), Jakarta (the capital city), Semarang (Central Java), Banjarmasin (South Kalimantan), Ujung Pandang (now Makassar, South Sulawesi), Mande (North Sulawesi), Ambon (Molluccas) and Jayapura-now Papua (Ilyasnd: 18).

### **The Development of Inter-island Shipping**

After the recognition of sovereignty and return to the Unitary State, the circumstances of shipping still indicated such great effects from previous times, when the activities were destroyed because of the war. The Dutch efforts to regain its colonial power in Indonesia brought also its civilian fleet, for example KPM (*Koninklijke Paketvaart Maatschappij*) that immediately overwhelmed the sea networks. On the other hand, the government of Indonesia tried to encounter by establishing Agency of Indonesian Marine Matters or Djawatan Oeroesan Laoet Seloeroeh Indonesia (DJOLSI--the Bureau of Marine Affairs of Indonesia) under the Ministry of Defence. However, it was not able to overcome the domination.

In 1952, the nationwide shipping company, Pelayaran Nasional Indonesia (PELNI--Indonesia National Cruise), was established to take over the function. The vessels derived from the works of Pepuska (Yayasan Penguasaan Pusat Kapal-kapal--Mastery Foundation Center ships), a foundation of ships providing since 1950. The efforts, then, were supported by the nationalization policy towards the KPM. However, it was not wholly succeeded to take over its ships because most of them on the sea. Therefore, the policy only threw out the company with its staffs from Indonesia.

The government gave attention to grow PELNI with providing and renewing the vessels, despite preparing shipping service facilities and interisland shipping such as the routelines, navigational equipments and harbors. However, the political turbulences affected its performances. The PRRI (Permesta rebellion) in 1959 that erupted in Western and Eastern Indonesia, disturbed the services because of making it unsecured. In addition, the company get involved in the government campaign to get down the revolt by providing its ships. The similar way happened during the struggle for bringing back Irian Barat (West Irian or Papua) region to the cradle of fatherland and the Confrontation against the making of Malay Federated States by the British in 1962. The political change in 1965/66 made it completed to hamper the inter-island shipping growth.

The national economic circumstances that struggling for achieving the people welfare by launching the developmental programs deeply affected to the shipping sector. The economic downfall during the Soekarno era that originated from diverse factors especially the failure for domestic political stability and supportive foreign policy caused difficulties for the services. The distribution sector not only play an important role in encouraging economic activities, likes the flow of distribution from productive sectors to the consumers, but also deeply depends on the process. The sector dealt with such a stagnant circumstance along with the other sectors at the end of Guided Democracy and at the beginning of New Order.

Entering the New Order, the shipping sector was marked by Bapeluma (Badan Pelayaran Umum Maritim--the maritime general service board). It was formed in 1965 as the operator of shipping policy after the selection of shipping company at the same year, that passed 66 companies. It was considered ineffective to carry out the polices. After closed down, its function was given over to the Directorate of Shipping from the Directorate General of Marine and Communication.

In general, the development of inter-island shipping under the gradual process of national development program from 1973/74 to 1984/85, was presented on the Table 1.

Table 1. The development of National Commercial Vessels, 1973/74—1984/85

Description	Units	1973/74 (the End of Repelita I)	1978/79 (the End of Repelita II)	1982/83	1983/84 (the End of Repelita III)	1984/85
Ships	Unit	130	335	397	397	275
Capacity	Dwt	74.088	312.000	503.271	503.391	440.463
Loading	Tonnage	333.396	3.829.000	6.352.838	7.457.616	8.425.463

From the Statistic of Indonesia 1986 (Purwaka 1993: 106), the interisland shipping, especially among the main islands in 1984 depicted the main loading activities happened in Java, with total numbers 34.918.705 tons, followed by in Sumatera with 18.710.076 tons, and Kalimantan with 17.371.828 tons. The lower range was in Molluccans with 1.190.354 tons, Nusa Tenggara with 2.073.572 and Sulawesi with 4.335.324. Comparing to the previously years, the total indicated an increase in numbers in Kalimantan with 7.104.742 ton, and in Java with 10.267.086. At the same time, the decreasing in numbers was seen in other islands, such as Mollucans with 80.172 tons, Sulawesi with 439.584 and Suamtera 821.561 tons.

Table 2 National Shipping Vessels 1983/84-1988/89

No	Loading	Units	Repelita IV (4 <sup>th</sup> 5 Years Development Planning)					
			1983/84	1984/85	1985/86	1986/87	1987/88	1988/89
<b>Cargo</b>								
1	Ships	Unit	387	356	275	259	244	274
2	Shipscrapping	Unit	--	157	12	36	--	--
3	Capacity	Dwt	486.824	454.919	414.382	391.031	379.329	503.490
4	Loads	Tons	7.457.6	7.252.3	8.083.0	8.513.5	8.305.8	9.294.6
5	Productivity	Tons/Dwt /Year	15,3	15,9	19,5	21,7	21,8	20,8
<b>Passengers</b>								
1.	Ships	Unit	--	4	4	4	6	7
2.	Capacity	Dwt	--	10.948	10.948	10.948	16.491	17.902
3.	Passengers	Person	--	812.000	900.000	862.000	1.000.0	1.281.3
						00	51	

Near to the end of New Order, the role of domestic shipping still overcame the capacity of foreign vessels. In 1995, the number of domestic cargo vessels were 5.050 units and the domestic load cargo were 75.478 million tons, or 51.45% of national shares. The number of foreign vessels were 6.397 units, carrying the domestic cargoes of 71.220 million tons or 48.55% (Djalal, 2008).

After the fall of the New Order, that preceded by an economic crisis, there was an increasing number of domestic vessels doubled from the year of 1995. In 1999, the rise reached 10.368 unit. On the other hand, the number of foreign vessel showed a slightly decrease to 6,248 units. The growing number followed by the growing of cargoes, but not in the national market share percentage. National vessels carried the

domestic cargoes as 90.985 million tons, or 50.48%. On the other side, the foreign vessels loaded cargoes as 89.244 million ton, or 49.52%.

In the next half decade, the development of cargo and passenger transportation increased on the rate of more than 5 %. In 2000 the number of cargo grew average exceedingly 5 %. In the year 2004 the number of domestic cargo was 152.1million and 4 years later became 187.577 million tons. It meant that during the period the national shipping was able to compete with the foreign vessel for domestic loading shares, i.e. in the year 2000 with 53.01% and in 2004 with 54.00% comparing to the foreign vessel share with 46.99% and in 2004 decreased to 46.00%. The performance of passenger transportation served by PELNI and other private companies showed unbalanced circumstance. On the one hand, PELNI gained a growth and on the other hand, the private company experienced a diminishing return. The PELNI's number of passengers was 5.21 million people in 1995, that increased to 8.61 million people in 1999. The average rate of growth was 16.24% per annum. Meanwhile, the decreasing trend showed by private services as (minus) -12,76% annually (Djalal, 2008).

In the next decade, during 2000 and 2005 the number of sea transportation passengers tend to decrease. It caused by the competition with mass, rapid and cheap air transportation. In 2000 the total number of PELNI's was 12.5 million people, and in 2004 decreased to 7,6million people. The market share of passengers that transported by PELNI's ships in 2000 was 8.83 million people and diminished in the following years as 7.42, 6.48, 5.1, and 4.1 million people until 2004. The number of shipping routes for cargoes and passengers up to 2004 showed 654 trajects of domestic cargo services, 107 of international cargo, 30 of PELNI, 136 of passenger services by private companies and 49 of pioneer ship transportation.

### **The role of Pioneering Shipping in inter-island shipping**

In the history of Indonesia, the maritime world is already familiar in everyday life. It has its own shipping and trading lanes between inter-island which is now known as inter-island shipping. Areas that produce many crops (both mining and agriculture) are always visited by merchant ships regularly. However, not all Indonesian waters traversed by a regular cruise. Regular shipping which is merchant service, as mentioned above, only sailed the sea lanes that are commercially profitable. They generally sailed lanes crowded dense passenger and goods. On the other hand, there are many islands in Indonesia, which is not a solid lane. Among these islands there are many in the border region. Although the region has abundant natural resources, but because of transport infrastructure and human resources are insufficient, cause the region remains a suburb. The region impressed no development activities and become isolated region. Merchant ships did not stop in the region regularly because they do not have the economic advantage. Inter-island transportation in these areas using non-regular shipping (tramper) which is usually done with the charter system, so it can get expensive.

In the absence of regular cruise, the islands were not only isolated, but it also remains a poor region as untouched by development. Efforts for development in remote islands must be supported by adequate infrastructure, especially marine transportation. However on the other hand, there are no investors who want to invest their capital in the development of marine transportation which is not profitable. Therefore, it needs to be regular marine transport route set by the government. That is what came to be called the

pioneer shipping. It is a transportation services in the marine on routes which is set by the government to serve the area or territory that has not been or underserved by marine transportation because not provide commercial benefits.

Therefore, the ships that used to sail the pioneering routes is a nature of the assignment. This means that shipping companies, both private and state-owned ships which are used for pioneer routes, can get compensation or subsidy from central or local government equal to the difference between production costs and rates set by the government (Act no. 17 in 2008).

Pilot project was first announced by Emil Salim in 1974. As Minister of Transportation, Communications and Tourism, he was commissioned by President Soeharto to develop transportation and communication infrastructure in the development with the frame of archipelago insight. One thing that urgent in the program is the development strategy of transportation and communication systems that support the unity and integrity of the archipelago insight. The government felt that the difficulty of transportation and communication in most parts of Indonesia are very extensive, especially in the area of eastern Indonesia. The program should be done in the first stage of Five Year Development (Pelita) is that all provincial capitals were in the flight path, so arranged air transport system that includes the main line and coupled with the supporting lines (feeder line).

In the air transportation, government build pioneer aviation project by buying 22 Twin Otter aircraft to connect regions of Irian Jaya, Sulawesi, East Nusa Tenggara, and Maluku islands. While for areas of the islands that can not be reached with the flight path, the President instructed to hold pioneer shipping.

Polanya sama dengan jalur penerbangan: jalur utama menghubungkan kota-kota besar di tepi pantai ditunjang oleh jalur penunjang yang memasok jalur utama. Untuk mengembangkan jalur penunjang dikembangkan armada perintis pelayaran dengan mengutamakan propinsi-propinsi berkepulauan seperti Riau, Maluku, dan Irian Jaya (Salim, 1991: 392-394).

The Pattern is similar to the flight route, that is the main route connecting major cities on the waterfront supported by the supporting lines that supply the main line. To develop the supporting lines, it was developed pioneering cruise fleet with emphasis on archipelago provinces such as Riau, Maluku and Irian Jaya (Salim, 1991: 392-394).

The project began with the pioneering cruise ship owned by the government operate as much as 9 units for 15 routes and stop in 79 ports. In 1976, the government increased the number of ships to 12 units that operate with serving as much as 22 routes. In that year, the number of passengers carried reached 38 944 people, and 47.137 tons of goods. Great service increased again in 1977/1978 into 76.280 people and 62.658 goods that are served by 13 ships. In 1978/1979 the number of people transported reached 104.531 people, while the goods reached 52.661 tons. Vessels used remain 13 units with 22 routes. The fantastic increasement occurred in 1979/1980. With the number of ships as many as 16 units, shipping pioneering project capable of transporting 129.034 people, 57.951 tons of goods (*Dunia Maritim-Maritime World*, 4 /xxx/April, 1980).

Due to the growing public demand, the government increased the number of ships and pioneering routes. In 1983, the number of vessels increased to 36 units serving 35 routes and stop in 214 harbors. The number of passengers carried in the year 1981/1982 reached 168.183 people, while the goods reached 97.048 tons. It indicated that the use of



pioneering shipping community was quite high. The high utilization of pioneering ships among others also due to schedule of ship visits in remote and outer ports was relatively irregular (*DuniaMaritim-World Maritime*, 1/xxxiii/January 1983).

The route of pioneer shipping is not the permanent nature. Directorate General of Marine annually evaluate trajectory traversed pioneer boats. Areas that are considered to be independent and able to carry out commercial shipping by marine transportation, the transportation route pioneer in the area is removed and transferred to other areas in need. It happened in 1984. According to the Director General of Marine Transportation Decree No. AL 59/1/1-84 dated 7 April 1984, there are four routes, removed in 1984 because of the four regions in the route were considered to have evolved so it can be filled with commercial ships or local shipping. The fourth stretch is two trajectory deleted because it is already not necessary, and the remaining two are combined with other stretch. The second route that is removed is the route R-1 to the area of operations of Aceh's west coast with the ports of call Kruengraya, Sabang-Sinabang, Tapak Tuan, Pulau Banyak, Singkel, and Sibolga. Then the second is R-6 to the operating area of Riau with stopover ports of Tanjung Pinang, Senayang, Daik, Panuba, Dobo, Tarempa, Penuba, Dabo, Tarempa, and Letung, which were all for round-trip. One route, the route R-13 to the region of South Sulawesi, North Nusa Tenggara (NTT), West Nusa Tenggara (NTB) abolished and merged with another stretch that is in transit port of Makassar, Selayar, Jampea, Bima, Labuan Bajo, Reo, Maumere, and Kalabahi. Route R-10 and 11 removed and merged into a trajectory R-8 with the operating area of the island of Timor and its surroundings, with a base of Dili harbor and port of call Kolama (*DuniaMaritim-World Maritime*, 5-6 /xxxiv/May-June 1984).



Photograph 1. Harbor cruise trajectory pioneer in Kupang , East Nusa Tenggara (Source: DirektoratGeneral Sea Transportation)

Efforts to improve the pioneer shipservice continue to be made. Beside in order to add the vessel to fulfill the new stretch, it was also to shorten the travel time. In 1994, the number of pioneering fleet of 30 ships to 30 routes, stopping in 195 ports with an average travel time of 21 days. In 2005, the amount of stretch turn to be 48, and in 2010 increased to be 60 and in 2012 increased to 67 routes. Eighty five percent of the routes is located in eastern Indonesia, with a long round of about 13-15 days. It was a pretty long day. During a period of nearly 40 years, a growing number of pioneering shipping was

growing which means that government subsidies to fund pioneering voyage continues to increase. With the continued increase of pioneer cruise ships, then there were two possibilities: first, these areas continued poor which means the development in these areas have not produced yet, or indeed that the government will continue to subsidize pioneering voyage.<sup>2</sup>

Government programs for diversion route to commercial ships for pioneering shipping lanes which were already crowded. However, the facts in the field generally showed that pioneered shipping route can be said as permanent. Over the years, certain lines continue to be passed because there was no pilot aboard the ship of private companies through the pathway.

This was because the number of people in the paths traversed still little. As a result, there was a growing amount of stretch. Likewise, the number of cruise ships to be operated pioneer. While the long journey of the ships in a single trajectory can not be shortened. *Trans Media*, a magazine published by the Ministry of Transportation reported that a pioneer in the area of Sulawesi, Maluku, North Maluku, East Nusa Tenggara and Papua for travel time takes from 11 to 37 days (*Trans Media*, 10th Edition, 2014). The length of travel time due to the length of the trip and the number of ports visited. The length of travel time was due to the length of these trips and the number of ports visited.

Table 3.Amount of the stretch, port, and mileage pioneer shipping

Year	Stretch	Port base	Port distination <sup>3</sup>	Mileage (mil)
1996	36	17	581	63.016
1998	37	17	606	64.994
2000	38	18	630	68.152
2002	49	21	700	73.661
2004	47	22	755	81.070
2006	52	25	839	86.093
2008	56	29	820	92.059
2010	60	30	1.054	96.839
2012	67	30	1.415	106.412

Source: Compiled from the decisions of the Director General of Sea Transportation

In a round table organized by the Transportation Research and Development in Jakarta on November 24, 2012, resulted in the conclusion that the pioneer of ocean freight services have not been able to realize the connectivity and support poverty alleviation in small islands, remote and border. The discussion forum recommended the role of regional and local governments to achieve connectivity, remote communities and

<sup>2</sup>Subsidies for pioneering shipping per year to reach Rp 400 billion per year ([www.bumn.go.id](http://www.bumn.go.id)) Subsidies for national shipping economic levels through PT. Pelni reached Rp 897 billion ([www.tempo.co/read/news/2011/11/22/090367891/Pemerintah-Kaji-Subsidi-Pelayaran-Perintis](http://www.tempo.co/read/news/2011/11/22/090367891/Pemerintah-Kaji-Subsidi-Pelayaran-Perintis) ). In 2011 the subsidies granted for sea transport of Rp 1,186 trillion, consisting of Rp 908 billion to the economy class transportation by PT Pelni and Rp 278 billion for transport pioneered in Indonesia (<http://www.republika.co.id/berita/breaking-news/nasional/11/01/20/159650-28-kapal-perintis-berganti-nama>).

<sup>3</sup>Total port of call does not describe the number of ports in Indonesia because it is calculated from the ship stopover. So the same vessel can be stopped at the same port over and over several times. The total number of ports visited by cruise ships totaling 517. See <http://dephub.go.id/welcome/readPost/pioneer>

poverty alleviation. In the round table also concluded that the weakness of the implementation of the pioneering ocean freight services, among others, was very far distance. Shipping time in one roundtrip was long enough, so that passengers who will return to the original departure must wait at least 2 weeks. In addition, there were other means that coincide between sesame trajectory paths with pioneering and commercial transportation route (<http://ditlala.org/index.php?>).

### **Pioneer Shipping Management**

Pioneering cruise operator has undergone several changes. At the beginning proclaimed (1974), a pioneering voyage undertaken by the Directorate of Navigation, Directorate General of Marine, since this Directorate manages ship of state. To meet the needs of the route, in addition to using its own ships, Navigation Directorate also private charter boats. In 1891, the pioneering trajectory management was transferred to PT. PELNI, according to the Rule of Ministry of Transportation No. KM 13/AL.3010/Phb-81. Implementation was done with the self-management system for 14 ships specially built for the country pioneer shipping. To overcome the shortage of boats, PT PELNI can charter boats owned by private company (Directorate General of Marine Transportation, 2011).

Pioneering shipping route management conducted by PT. PELNI was not long lasting. In 1987, the management of pioneering shipping freight was taken back by the government, in this case through the Directorate General of Marine Fleet Pilot Project. Pioneering voyage project management in this period was done by operating subsidies based on purely contract between the government and the PT. PELNI and private shipping companies (Directorate General of Marine Transportation, 2011). Contracts undertaken by the government with the shipping companies both BUMN and private conducted by negotiating price reasonableness in direct appointment (*DuniaMaritim-MaritimeWorld*, 11/x1/November 1990).

The contract based on the direct appointment system lasted until 1989. In 1990, the government imposed a public auction system which has open characteristics. All shipping transportation company that meets the requirements can participate in the tender, both from the state-owned and private shipping company. In 1995, the operation of pioneering shipping fleet distributed to the area. To supervise the implementation of the pioneering voyage submitted to the region, the central government formed a monitoring team. The team has duties and functions of monitoring, management, and analysing the implementation of pilot projects in the area of fleet operation.

In structure, route network and the needs of ships (including the size and type of vessel) was determined by the Directorate General of Marine Transportation. Vessel operations conducted by national marine transportation companies in accordance with auction winner trajectory specified in the contract. Directorate of Traffic and Marine Transportation functionally fostering ocean freight, including the development of pioneering ships, so that it integrated in the system of national marine transportation networks and other transportation modes. Supervision of the implementation of the pioneering voyage undertaken by the Port administrator, either at the base of the port or the port of call. The duty of Development Center on the Pioneer Marine Transportation Service was monitoring, evaluating and operational controlling, as well as data and information center for national pioneer marine transportation. While its duty in the local

area was in charge in the management and operational activities for pioneer ships in the local area. Pioneer vessel operators were not allowed to perform the replacement vessel and trajectory deviation from the port sequence in its corresponding predetermined trajectory, except with the written permission of the Director General of Marine Transportation.

### **Problems Encountered**

Along with the economic growth of the Indonesian community, it was expected that the local economy in outermost regions will grow, then the stretch of pioneering voyage was reduced, or the distance of pioneer shipping was shorter. In fact, the number of stretches and pioneering cruise ships, instead of diminishing, it was even continues to grow. The duration of voyage was still ranged from 13 to 15 days for a one-way trip. Therefore, the subsidies for pioneering shipping increased from year to year.

From the statistical data on the pioneering shipping published by the Ministry of Transportation in 2011, it can be seen that the number of pioneer shipping passenger, both goods and people, was very fluctuative. It indicated that in 2002 pioneering cruise passengers departed from the 20 ports reached 619.523 people and 316.842 tons of goods. In 2005, the number of pioneer cruise passengers carried from 27 ports reached 1.316.273 people and 379.513 tons of goods. That number declined precipitously in 2010. It was only reached 432.178 people and 418.171 tons of goods, transported from 30 ports (Directorate General of Marine Transportation, 2011). If the number of passengers compared to the subsidies granted, it can be said that the government has provided enormous subsidies to the pioneer shipping passenger. As an illustration, in 2009 the government provided subsidies for pioneering voyage of 266 billion Rupiah. Passengers transported by pioneering cruise trajectory reached 501.040 people. Therefore, each of the pioneering cruise passengers get a subsidy of Rp 530.895,73. This amount will be higher in 2010 due to rising subsidy but the number of passengers declined. The subsidy will be greater when it was added with subsidies for fuel.

Another problem that often arises in the field was the itinerary. Travel schedule was uncertain. Pioneer shipping delays caused by several things such as bad weather and ship damaged. However, not often also occurred because the contract with the government had run out while the auction process has not been completed. As mentioned in the Decree of the Director General of Marine Transportation, pioneering marine transportation operators procurement conducted through open tender based on a single year contract, which was in a year budget that took place from January 1 to December 31. Therefore, the Ministry of Transportation annually conducted auctions for pioneer ocean freight operator. The auction process took approximately one month. Usually the committee did the auction after the budget has been approved, which was usually at the end of December.

If in early January, auction process just started, it meant there was a vacuum pioneer shipping lanes for approximately one month. Even if the auction run smoothly. If the tender failed, it would mean much longer period of vacuum until the appointment of a new operator. Vacuum pioneer common marine transportation also occurred if the ship was damaged. Places for ship maintenance were only in the west of Indonesia. This condition can extend the vacuum transportation in pioneer cruise lines.

Annual contract system based on a single year made certain times for the ships not operating because the auction process and the contract has not been completed. Presidential Decree No. 54 of 2010 and its amendment, and Presidential Decree No. 70 in 2012 set up a direct appointment mechanism for procurement of goods and services related to public service. Contractors pioneer shipping freight vessel operators required multi-year contract as allowed under Law No. 17 of 2008 on the Cruise and Government Regulation No. 20 of 2010 on Transport in Water. On that basis, many pioneering cruise operators request to make a long-term contract. Government Regulation No. 20 in 2010 even described in the explanation that the long-term contract in question was a five yearly.

Pioneer marine freight operator urged the government implemented a system of long-term contracts in the implementation of the pioneering ocean freight throughout Indonesia. Bulkiah, the coordinator of Indonesia Pioneer Marine Transportation Operators Forum, said that the system of long-term contracts (multy years) can stimulate entrepreneurs build new vessels and improved service standards for pioneer transportation. "We asked the government to change the annual contract to a minimum of 3 years to enable us to purchase vessel serving marine transportation pioneer," she said on the sidelines national coordination meeting on pioneer marine transportation in 2009 at PacetCianjur, West Java, 23 April 2009. The system of long-term contracts will increase the confidence of banking and non-banking financial institutions to pioneer marine transportation operators in order to obtain credit. In addition to facilitating the conduct of the vessel, Bulkiah said that the system will ensure the long-term contract of pioneer ship maintenance (<http://saifulanamfoundation.blogspot.com/2009/04/operator-minta-kontrak.html>).

Until the year of 2012, the procurement of pioneer ships to sail the pioneer trails carried by a single counter-year. In that year there were 82 vessels serving the route transportation pioneer. Of that number, only 30 ships owned by the government. In many cases often occur late contract executed while the contract in the current year was over. In accordance with the budget line, the contract can be done by January 2 and ending by December 31 in the same year. Corresponding Presidential Decree No. 54 of 2010 and No. 70 in 2012, the tender process can be carried out when the indicative ceiling has been set and the contract was signed after the checklist project (DIPA) was received.

### **Concluding Remarks**

As a maritime country which is stated by the geographical nature and enforced by the Djuanda Declaration in 1957, the interisland shipping plays an important role in bridging marine networks from islands to islands. However, since the independence there has been a little attention to encourage the services. The state-owned company as the main actor to realize the expectation seems to be unable to fulfill the national needs of regular marine transportation. The competition among the shipping companies has been really sharp so that they were unproductive. In this context, the government policy has a significant share in developing the function. During the regulation era, the service deals with the unsupportive demands.

In the global era that marked by free trade principles, the involvement becomes more important and unavoidably a priority as a pile of national economic development. However, the problem of interisland shipping is not so simple. It needs various contributions from all stakeholders including the academic circles to unveil the related

issue to find the proper solution. This is such an early effort to dig and to discuss it in order to contribute a recommendation to the policy makers.

To fill the lanes are not passed by commercial ships, the government organized a pioneering cruise trajectory since 1974. The number of transit routes and the port continues to grow from year to year. On the other hand, a long trip in one stretch is still too long, reaching an average of 15 days. This is because the number of ports visited by too much, and the mileage is too long. In some cases, ports were visited in one stretch, overlapping with other stretch, either among pioneer stretches or the pioneering trajectory with other stretch especially commercial private route.

### **Recommendations**

From the various problems found in the field of inter-island shipping, there are several recommendations as follows:

1. There should be a re-regulation of the shipping arrangements among the islands, especially the set of trajectory commercial shipping with pioneering shipping routes so there is no crush.
2. Connectivity pioneering trajectory needs to be synergized with subsidized economic trajectory ship owned by PT PELNI.
3. The route of pioneer shipping should really intended for areas which is not served by trajectory commercial shipping.
4. With the planned marine highway, pioneer shipping stretch can be used as a feeder which connect the main line of marine toll so that access to the outer and remote islands becoming shorter and faster.

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