

**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
COMPETITION COMMITTEE****Working Party No. 2 on Competition and Regulation****Taxi, ride-sourcing and ride-sharing services - Note by Indonesia****4 June 2018**

This document reproduces a written contribution from Indonesia submitted for Item 3 of the 65th meeting of Working Party No 2 on Competition and Regulation on 4 June 2018. More documents related to this discussion can be found at www.oecd.org/daf/competition/taxis-and-ride-sharing-services.htm

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JT03431143

Indonesia

1. Introduction

1. Taxi industry in Indonesia is highly regulated. Government regulates various aspects of this industry to assure safety and quality of the service. Central and local government established the regulations to implement the law on taxi industry based on their mandate. The main provisions are price limits, maximum number of taxi, permit arrangements, and minimum service standards.

2. Tariff for taxi service is relatively high. Taxi provides an alternative for a more convenience urban transport compare to other mass transportation in Indonesia, for example, bus and commuter line. The average taxi rates¹ per kilometer is ranging from Rp.3,80 –4,100, intercompany rates does not vary significantly. Bus or commuter lines are very cheap, tariff² per trip ranging from Rp.3,000–6,000 to any point along the routes.

3. The circumstances of urban transportation system in Indonesia create an opportunity for new business model to develop alternative services, namely ride sharing or ride hailing. The service in Indonesia was pioneered by Uber followed by Grab in 2014. A local startup company, Gojek, emerged first in Indonesia as a motorcycle ride hailing in 2010. Today, Gojek provide various transportation and other services and compete with other platforms to provide car/taxi hailing booking app. The Car/taxi hailing services provided by these platforms, adding options for consumer to get car/taxi ride with relatively cheap price compare to traditional taxi.

4. Ride sharing booking app grow significantly in Indonesia. Uber starts with 6,000³ drivers in the first year, and then develop their operation in 30 cities in Indonesia. Grab users increased 600⁴ percent in 2016, and now the services available in more than 100 cities. Uber exited from Indonesia following the acquisition of Uber South East Asia operation by Grab in March 2018. Gojek start with 20 motorcycle taxi drivers in 2010, this platform recorded working with 850,000⁵ drivers and operates in 50 cities seven years later and become the first startup unicorn⁶ in Indonesia. A new competitor, namely Anterin⁷, entered in December 2017. The platform is using marketplace concept as its

¹ Jakarta area

² Transjakarta and KRL Jabodetabek prices, fixed price for Transjakarta Rp.3.500 for any distance

³ Available at <https://www.cnnindonesia.com/teknologi/20150916145210-185-79137/uber-punya-6000-mitra-pengemudi-di-indonesia>

⁴ Available at <https://katadata.co.id/berita/2017/02/02/jumlah-pengguna-Grab-melonjak-600-persen-pada-2016>

⁵ For all services. The news available at <https://katadata.co.id/infografik/2017/12/29/ekspansi-bisnis-go-jek-dari-ojek-ke-fintech>

⁶ Valued at USD 1.3 billion. The news available at <https://katadata.co.id/infografik/2017/12/29/ekspansi-bisnis-go-jek-dari-ojek-ke-fintech>

⁷ Available at <https://katadata.co.id/infografik/2018/04/24/anterinid-pemain-baru-ojek-online>

business model. The model allows drivers to set their own tariff and customers to choose their driver.

5. The presence of ride sharing platform transforms the competition in urban transport sector. Cheaper price and convenient ride using taxi or car offered by ride sharing platform disrupt the comfort zone of traditional taxi. Cheaper price become the main issue of discussion, beside the legal aspect and safety standard of ride sharing. Organization of Land Transport Owner (Organda) complained⁸ about predatory pricing allegation against ride sharing platform. Traditional taxi follow regulated prices set by regulator, therefore they cannot set cheaper price to compete with prices offered by ride sharing platform.

6. Government started to regulate ride sharing in 2016. Government set new category to accommodate the new business model into the regulation, some arrangements for ride sharing including price limits, quota, legal aspects, certificates, and depot/garage possession. Government believes that those restrictions will make ride sharing and traditional taxi compete at equal playing field. The regulation is set in Minister of Transportation Decree and had been amended for few times. The contents raise controversy and protest, because it will make ride sharing price higher and limits the ability of individual drivers to provide ride sharing service.

7. KPPU have sent recommendation letters to government regarding regulation on traditional taxi and ride sharing/ride sourcing. However, government determines to continue implementing Minister of Transportation Decree that potentially hinders competition, particularly by imposing price floor policy for both traditional taxi operator and ride sharing/ride sourcing platforms.

2. Law and Regulation

2.1. Law and Government Regulation

8. Taxi is part of non-fixed route public transportation in Indonesia. The basic regulations for non-fixed public transportation are set in Law Number 22 Year 2009 concerning Traffic and Road Transportation and Government Regulation No. 74 Year 2014 concerning Road Transportation. The main features of non-fixed route public transportation could be described as follows:

1. Type of non-fixed route public transportation
 - Taxi
 - Rental Car
 - Tourist Bus
 - Certain Area Transportation
2. Range of operational area

⁸Available at <http://industri.bisnis.com/read/20170126/98/623172/dugaan-predatory-pricing-organda-laporkan-operator-online>

3. Vehicle quota. The number is determined by Local Government and Minister of Transportation (depends on the operational area)
4. License for Taxi companies. Local government issues the licence for taxi companies based on the operational area. The law mandates Minister of Transportation to set further regulation for taxi license
5. Tariff is set by individual taxi company with government's approval based on minimum service standard. The formula to calculate the price is set by Minister of Transportation
6. Tariff for the other type non fixed route transportation is set based on the agreement between consumer and service provider.

2.2. Minister of Transportation Decree

9. Minister of Transportation set a detail regulation concerning non-fixed route public transportation. Government set Minister of Transportation Decree No 32 Year 2016 in order to accommodate the new business model, i.e. ride-sharing or ride-sourcing. Therefore, the regulation not only regulates the traditional taxi companies but also ride-sharing or ride-sourcing providers. The regulation was amended for few times to adjust the condition of ride-sharing/ride-sourcing in Indonesia. The amendments are described in Table 1 as follows:

Table 1. Amendment of Minister of Transportation Decree for Ride-Sharing/Ride-Sourcing

Subject	Minister of Transportation Decree No. 32 Year 2016 (revoked)	Minister of Transportation Decree No.26 Year 2017 (revoked)	Minister of Transportation Decree No. 108 Year 2017 (latest)
Category	-	ride sharing is categorized as "exclusive car rental"	ride sharing is categorized as "exclusive car rental"
characteristics of services	-	Rule the characteristics of services provided by "exclusive car rental"	Rule the characteristics of services provided by "exclusive car rental"
physical characteristics	-	Rule the physical characteristics of "exclusive car rental" including engine capacity	Rule the physical characteristics of "exclusive car rental" including engine capacity
Tariff	Agreement between service provider and consumer/user	Tariff for ride sharing is based on the application. Government set price floor and price ceiling for the tariff.	Tariff for ride sharing is based on the application. Government set price floor and price ceiling for the tariff.
Permit/quota	Issued by Ministry of Transportation	Issued by Ministry of Transportation, local government, or certain government institution	Issued by Ministry of Transportation, local government, or certain government institution
Legal entity	Public transportation company with minimum 5 cars	Public transportation company with minimum 5 cars	Public transportation company with minimum 5 cars
Vehicle Registration Certificate	On behalf of corporation or cooperative	On behalf of corporation or cooperative	On behalf of corporation or individual (for member of cooperative)
Vehicle inspection certificate for public transportation	Required	Required	Required
Car park/garage/depot	Required	Based on the number of vehicles	Based on the number of vehicles

10. Government believes that those restrictions will make ride sharing and traditional taxi compete at equal playing field. The contents raised controversy and protest, because it will make ride sharing price higher and limits the ability of individual drivers to provide ride sharing service. Table 2 shows the price limits for Ride-Sharing/Ride-Sourcing set by Ministry of Transportation.

Table 2. Price Limit for Ride-Sharing/Ride-Sourcing

Area	Ride Sharing Price ⁹ (per Km)	
	Minimum	Maximum
Java, Sumatera, Bali	Rp. 3,000	Rp. 6,000
Kalimantan, Sulawesi, Nusa Tenggara, Maluku, Papua	Rp. 3,700	Rp. 6,500

11. Tariff for traditional taxi service is relatively high. Taxi provides an alternative for a more convenience urban transport compare to other mass transportation in

⁹ Regulation of Directorate General of Land Transportation Ministry of Transportation No. SK.3244/AJ.801/DJPD/2017

Indonesia, for example, bus and commuter line. The average taxi rates¹⁰ per kilometer is ranging from Rp.3,800 – 4,100, intercompany rates does not vary significantly. Bus or commuter lines are very cheap, tariff¹¹ per trip ranging from Rp.3,000 – 6,000 to any point along the routes.

Table 3. Price Components for Traditional Taxi

Taxi price ¹²				
Flag Fall	Per Km	minimum	Cancellation	Waiting fee
Rp. 6,500 – Rp 7,000	Rp. 3,800 – Rp. 4,100	Rp. 15.000-30.000	Rp. 15.000-16.500	Rp. 42.000

3. Market Structure

3.1. Number of firms

12. Government set taxi quota for each province in Indonesia. Some areas in Indonesia are not covered by traditional taxi company service and in some only serve by few companies. The allocation for taxi quota is described in Table 4 as follows:

¹⁰ Jakarta area

¹¹ Transjakarta and KRL Jabodetabek prices, fixed price for Transjakarta Rp.3.500 for any distance

¹² Collected from three major operators in Jakarta

Table 4. Taxi Quota

No	Province	Number Of Households (2015)	Number of Taxi Companies (2016)	Number of Taxis (2016)
1	Aceh	1186600	3	54
2	North Sumatera	3257200	11	860
3	West Sumatera	1234400	16	530
4	South Sumatera	1959100	3	114
5	Riau	1522700	4	650
6	Riau Islands	521100	29	2879
7	Jambi	847100	2	30
8	Bengkulu	472800	2	13
9	Lampung	2060500	2	25
10	Bangka Belitung islands	349500	2	19
11	DKI Jakarta	2659200	46	26667
12	West Java	12415400	63	9743
13	Banten	2930200	35	7197
14	Central Java	9066300	18	1664
15	Yogyakarta	1105700	17	800
16	East Java	10738900	44	4972
17	Bali	1099700	9	2705
18	Nusa Tenggara Barat	1344000	4	410
19	Nusa Tenggara Timur	1108400	1	50
20	West Kalimantan	1114200	1	70
21	Central Kalimantan	646800	1	30
22	South Kalimantan	1072400	3	199
23	East Kalimantan	852100	7	443
24	North Kalimantan	144500	0	0
25	North Sulawesi	617300	5	210
26	Central Sulawesi	677400	2	55
27	South Sulawesi	1956600	13	1434
28	Southeast Sulawesi	562500	3	219
29	Gorontalo	266000	0	0
30	West Sulawesi	286300	0	0
31	Maluku	349300	0	0
32	North Maluku	240100	1	8
33	West Papua	192500	2	80
34	Papua	731900	0	0

Source: Ministry of Transportation, Central bureau of Statistics

13. Local government set quota to limit the expansion of ride-sharing/ride-sourcing in 2018. Every province calculates the maximum number for ride-sharing/ride sourcing. The allocation is described in Table 5

Table 5. Drivers Quota¹³

Area (Province)	Quota
Greater Jakarta	36.510
West Java	15.418
Lampung	8.000
South Sulawesi	7.000
Central Java	4.935
East Java	4.445
North Sumatera	3.500
South Sumatera	1.700
East Kalimantan	1.000
Aceh	748
West Sumatera	400
Bengkulu	250
Total	83.906

3.2. Market concentration

14. Table 6 shows dominant firms based on consumer survey. The results show different value of market shares and rank of the platforms. Dominant platform based on the number of transaction acquired 81.67 percent market share, followed by other platforms with 15.05 percent and 2.76 percent. Consumer also considered a traditional taxi company that collaborates with ride-sharing/ride-sourcing platform, as a ride-sharing/ride-sourcing platform. Therefore, the survey shows that there are four numbers of firms in the market. In addition, the survey also count the value of market share based on the frequency of consumer to access the platforms. Market shares obtained from the number of frequency to access show that dominant firm acquired 78 percent market share, followed by other firms with 15 percent, 6 percent, and 1 percent.

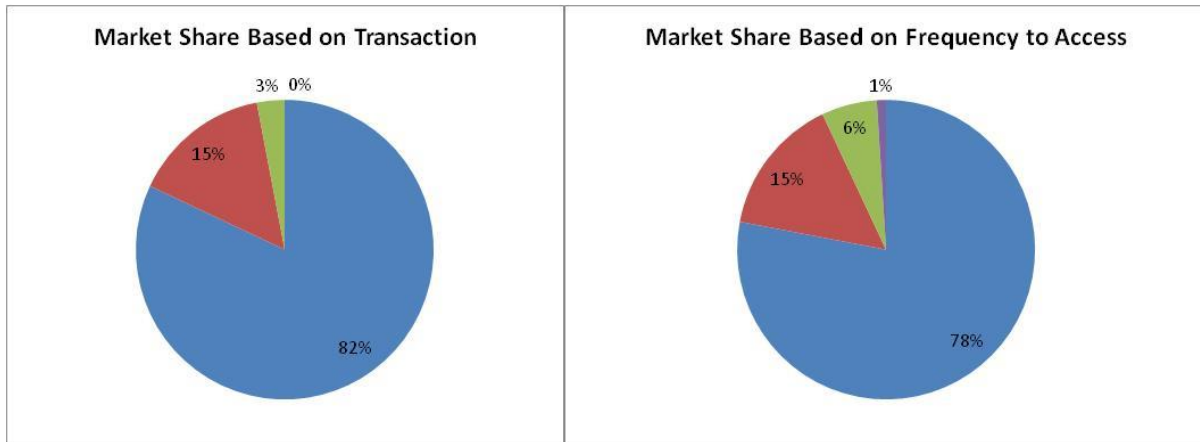
Table 6. Market Share Based on Survey

Rank	Market Share (transaction)	Rank	Market Share (frequency)
1	81.67%	1	77.61%
2	15.05%	2	14.69%
3	2.76%	3	6.11%
4	0.52%	4	1.59%

Source: KPPU & CEDS (2017).¹⁴

¹³ Available at: <https://finance.detik.com/berita-ekonomi-bisnis/d-3835372/12-wilayah-tetapkan-kuota-taksi-online-paling-banyak-jabodetabek>

¹⁴ *ibid*

Figure 1. Distribution of Market Share Based on Survey to Consumer

Source: KPPU & CEDS (2017)¹⁵.

15. Based on the market share obtained in Table 7, survey showed that the concentration ratio of the four largest companies is 100% and the Herfindahl-Hirschman index is 6904 based on the number of transactions. The results of market concentration calculations based on traffic are 100% and 6279 for CR4 and HHI respectively.

Table 7. Concentration Ratio

Factor	CR4	HHI
Number of Transaction	100%	6904
Frequency to Access (traffic)	100%	6279

Source: KPPU & CEDS (2017)¹⁶

4. Conduct

16. Ride sharing booking app grow significantly in Indonesia. Uber starts with 6,000¹⁷ drivers in the first year, and then develop their operation in 30 cities in Indonesia. Grab users increased 600¹⁸ percent in 2016, and now the services available in more than 100 cities. Uber exited from Indonesia following the acquisition of Uber South East Asia operation by Grab in March 2018. Gojek start with 20 motorcycle taxi drivers in 2010, this platform recorded working with 850,000¹⁹ drivers and operates in 50 cities seven

¹⁵ ibid

¹⁶ ibid

¹⁷ Available at <https://www.cnnindonesia.com/teknologi/20150916145210-185-79137/uber-punya-6000-mitra-pengemudi-di-indonesia>

¹⁸ Available at <https://katadata.co.id/berita/2017/02/02/jumlah-pengguna-Grab-melonjak-600-persen-pada-2016>

¹⁹ For all services. The news available at <https://katadata.co.id/infografik/2017/12/29/ekspansi-bisnis-go-jek-dari-ojek-ke-fintech>

years later and become the first startup unicorn²⁰ in Indonesia. A new competitor, namely Anterin²¹, entered in December 2017. Anterin collaborates with 150,000 drivers and available in 8 cities. Ride-sharing/ride-sourcing platform in Indonesia provide various services. The type of services is described in Table 8.

Table 8. Type of Services

No	Brand	Services	Concept
1	Gojek	Car sharing Taxi booking Motorcycle taxi Food delivery Instant shopping Courier Moving or consignment service Movies and Events Tickets Buying medicine and collecting prescriptions E-money Billing payment Mobile phone top up Massage booking Cleaning service booking Automotive solution Beauty care service booking	Centralized platform
2	Grab	Car sharing Taxi booking Motorcycle taxi Food delivery Courier	Centralized platform
3	Uber	Car sharing Motorcycle taxi	Centralized platform
4	Anterin	Car sharing Motorcycle taxi	Marketplace

Source: Survey

17. Ride-sharing/Ride-sourcing platforms apply different pricing policies. The common practices are described in Table 8. Dynamic pricing fluctuate depends on demand, higher demand result in higher price. The platforms also provide discount for using e-money, e.g. Gopay and Grabpay. In order to keep the price low, platforms²² also apply price subsidy, discount, and dynamic pricing concept (in low demand). However, it is not clear whether the cost of subsidy is gained from the profit of other services provided by the platforms. Most of the platforms are using centralized concept. Anterin, the new competitor, offers marketplace concept. The model allows drivers to set their own tariff and customers to choose their driver.

²⁰ Valued at USD 1.3 billion. The news available at <https://katadata.co.id/infografik/2017/12/29/ekspansi-bisnis-go-jek-dari-ojek-ke-fintech>

²¹ Available at <https://katadata.co.id/infografik/2018/04/24/anterinid-pemain-baru-ojek-online>

²² Available at <https://tekno.kompas.com/read/2016/05/02/11181767/GoJek.Akui.Kehabisan.Uang.gara-gara.Tarif.Murah>

Table 8. Pricing Policy of Ride Sharing Platform²³

Type	Dynamic pricing, depend on demand Minimum price Fixed
E-money	Discount applicable
Surge Pricing	Fares may be higher 1x to 4x than normal fare, applicable for certain app

Source: Survey

Table 9. Average Price per Km of Ride Sharing Platform²⁴

Number of Observation	3,504
Area	Jakarta
Range of Average Price per Km	Rp. 155 -8,876 Rp. 980 – 10,961 Rp. 3,628 – 18,889

Source: Survey.

18. The presence of ride sharing platform transforms the competition in urban transport sector. Cheaper price and convenient ride using taxi or car offered by ride-sharing/ride-sourcing platform disrupt the comfort zone of traditional taxi. The average price per Km offered by the platform is described in Table 9. Organization of Land Transport Owner (Organda) complained²⁵ about predatory pricing allegation against ride sharing platforms. Traditional taxi follow regulated prices set by regulator, therefore they cannot set cheaper price to compete with prices offered by ride-sharing/ride-sourcing platform.

5. Advocacy Progress

19. Competition in traditional taxi industry has become one of KPPU's advocacy points of interest since 2001. KPPU have sent recommendation letters to government regarding regulation on traditional taxi and ride sharing/ride sourcing. However, government determines to continue implementing Minister of Transportation Decree that potentially hinders competition, particularly by imposing price floor policy for both traditional taxi operator and ride sharing/ride sourcing platforms.

²³ Collected from two ride sharing booking apps as of April 2018

²⁴ Data set was collected from three ride sharing booking apps for regular car/service, period June-July 2017.

²⁵ Available at <http://industri.bisnis.com/read/20170126/98/623172/dugaan-predatory-pricing-organda-laporkan-operator-online>

Table 10. Recommendations Related to Government Regulations

Year	Recommendation Highlights	Service
2001	Regulator withdraw the authority of Organda to fix tariff	Traditional taxi
2007	Competition for airport taxi service	Traditional taxi
2009	Regulator revoke price floor policy and Organda to fix tariff	Traditional taxi
2016	Local government revoke price floor policy	Traditional taxi
2017	Regulator revoke price floor policy and entry barriers	Ride-sharing/Ride-sourcing