

water bus (ferry). The ticket has been integrated for both transit systems. No subsidy is the principle for the TransMusi, except for determining the appropriate route, giving Intermodal with river transport facilities.

Another example is the city of **Yogyakarta**. The transport agency UPTD operates Trans Yogya. This new bus transit system replaced the old “deposit” system. Within the new bus transit system a so called “buy the service” system is used. The operator will only concentrate on service performance without taking charge to be profitable. The risk of profit or loss will be borne by local government. This subsidy system is implemented since 2006 when Trans Yogya started operation. Similar to TransJakarta, the subsidy is also limited until 2013, so the local UPTD is now improving and preparing their system though a cost recovery program. The following figure shows the comparison of Trans Yogya operational cost and revenue from 2008 to 2010. It shows a decreasing gap between operational cost and revenues. Along with the improvement program it is aimed to decrease the gap every year to be a profitable asset in 2013.

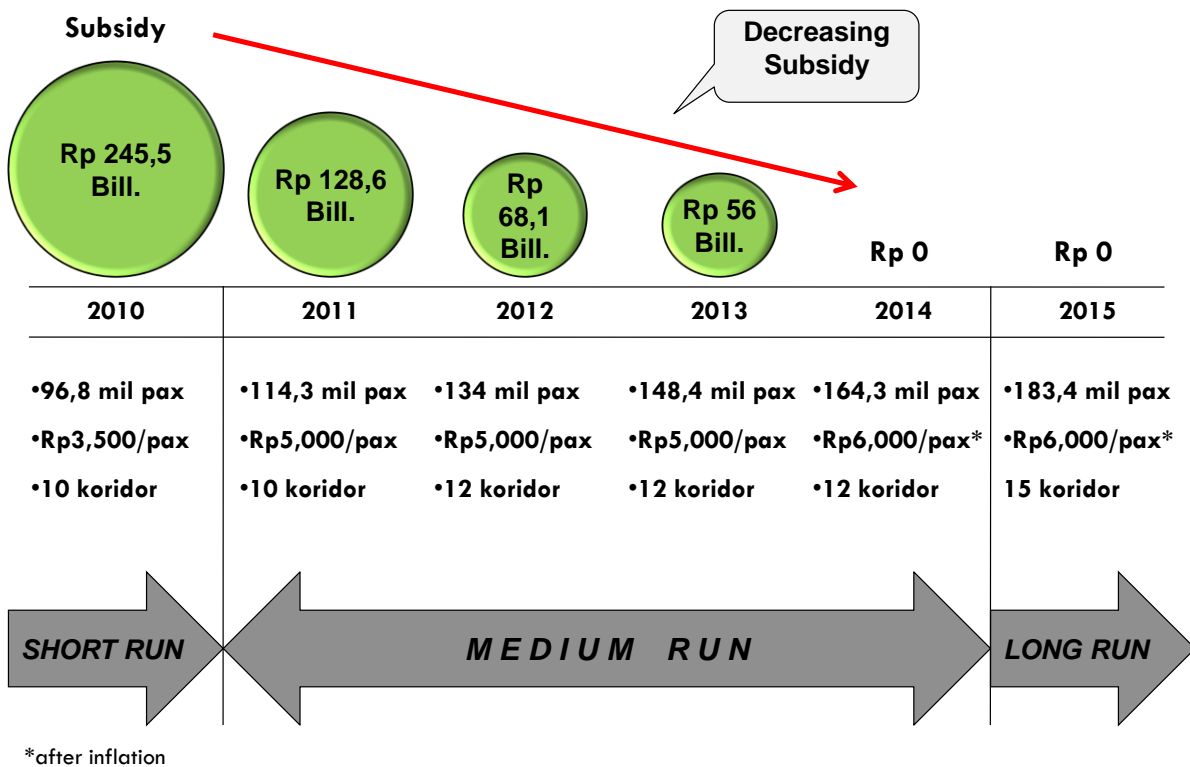


Figure 6 Target of Subsidy by Trans Jakarta Busway

3. DISCUSSION

On principle subsidies for public transport need to be restricted to the supply of public transport infrastructure and facilities. Subsidies dedicated to cover operational costs may be misused to a high extent (e.g. to finance an economic unnecessary high stock of staff) and may be allowed only under exceptional circumstances and for a limited period of time. This aims to avoid the inefficient and wasteful use of financial resources. Particularly in countries like Indonesia with high population densities and a high demand for public transport it is

possible to cover operational costs by fare revenues making operational subsidization unnecessary.

Concrete recommendations are:

- Define minimum service standards for privately operated public transport enterprises to increase standard and attractiveness of public transport
- Restrict the number of public transport operators in the market
- Establish a transport authority responsible for the management of public funds to procure transport services, distribute subsidy and secure the best value for money. The authority supervises that / is responsible for:
 - the provision of subsidies is allowed for the creation of public transport infrastructure and facilities
 - Existing subsidies for operation will be abolished. This can be done by phasing out programs like aspired in the case of Jakarta's TransJakarta BRT system

Drafting, adopting and maintaining a coherent and realistic public transport policy, which is within the constraints of available resources, is fundamental to public transport planning and regulation. Subsidies require sophisticated administrative mechanisms to ensure they are allocated efficiently and agencies are accountable. Therefore it is unavoidable to strengthen capacities responsible for urban (public) transport and public funds. Hence the following is recommended:

3.1 Strengthened Urban Transport Institutions at the National and Local Government Levels

Aimed at improving urban public transport services, what is needed is to strengthen the abilities of the Ministry to, first, advance urban passenger transport reforms, and second, advance best practices in urban public transport policy, planning and engineering. Part of this capability is expected to develop within the Ministry, and part in educational institutions that could be contracted by the Ministry to conduct training programs for city officials in urban transport. It is also expected that, as a result of this approach, cities would attain an improved institutional ability and practical knowledge to plan, design, budget, and implement urban public transport services and urban transport infrastructure and traffic management on a sustainable basis.

3.2 Improved Quality and Financial Sustainability of Urban Public Transport Services

This is to be achieved principally through implementing reforms in those cities that are willing to provide core urban public transport services on a well-managed, competitive basis. More specifically, for exclusive provision of urban public transport services on selected routes or sections of the participating city, under contracts of sufficient length to attract serious bidders.

Accompanied by all these recommendations it is necessary to phase out fuel subsidies. This has to be done in small steps over a period of several years to create a smooth switch to a higher share of public transport. This is particularly important for low and lower-middle income groups who have to use up to 20% of their income for public transport. This is often the reason why many of them shift to motorcycles. Savings from fuel price subsidy reduction need to be redirected for the improvement of public transport systems.

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