



## Effectiveness of Shipping Routes through Public Service Obligation for PT Pelni (PERSERO)

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### ABSTRACT

*PT Pelayaran Nasional Indonesia (PT PELNI) has faced criticism for inefficiencies and ineffectiveness in its utilization of Public Service Obligation (PSO) funds, which are often diverted from their primary purpose of improving passenger transport services. This misallocation has exacerbated infrastructure disparities, particularly in remote areas, regions with weaker economies, and routes managed by operators incurring losses. Such gaps present significant challenges to achieving equitable access to maritime transportation. As stipulated in Law No. 17 of 2008, the shipping system encompasses waterborne transportation, ports, safety, security, and marine environmental protection, all of which significantly influence the mobility of people and goods. However, service quality perceptions vary across different socio-economic groups, highlighting the need for targeted improvements. This study evaluates the effectiveness of PSO implementation at PT PELNI, focusing on optimizing subsidized shipping routes to enhance service delivery and contribute to regional economic development. The findings aim to inform policymakers and stakeholders in improving PSO administration and maritime infrastructure.*

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### INTRODUCTION

The development of a nation's economy is intrinsically linked to improving the welfare of its people. Ensuring that basic needs are met in a secure and efficient manner is a fundamental step toward fostering sustainable economic growth. One approach to achieving this is through the acceleration of infrastructure development, a

critical component of governmental efforts to stimulate growth in both urban and remote areas [1], [9]. Public Service Obligation (PSO) programs have been instrumental in addressing disparities in maritime infrastructure, particularly in underserved regions. As mandated by *Law No. 17 of 2008 on Shipping* [4] and other supporting regulations [5], PSO aims to provide essential services in

transportation that might not otherwise be viable for commercial operators. In the maritime transport sector, PT Pelayaran Nasional Indonesia (PT PELNI) plays a vital role by operating subsidized routes to ensure equitable access to transportation, especially in areas where market-driven services are inadequate or non-existent. However, challenges persist in achieving the goals of PSO effectively and efficiently.

Despite receiving subsidies annually through the State Budget (APBN) to cover operational costs for economy-class passenger services, there are concerns regarding the effectiveness of PSO implementation. Subsidies are calculated based on the disparity between government-regulated fares and operational costs [7], [8]. However, issues such as infrastructure inequality, inefficiencies in service delivery, and mismanagement of PSO funds have hampered progress. Studies highlight the need for rigorous evaluation mechanisms to assess the performance of PSO programs and ensure alignment with their intended objectives [3], [10]. PT PELNI's role in providing transportation services under PSO has been questioned due to perceived inefficiencies, including inadequate route coverage, high fares, and long travel durations [5], [14]. These issues are compounded by competition from air transportation, which offers faster and more flexible services, attracting a significant portion of passengers. Consequently, maritime transportation must adapt to remain competitive while fulfilling its public service mandate [6].

This research focuses on evaluating the effectiveness of PSO implementation in PT PELNI, specifically examining how subsidized shipping routes contribute to regional economic development. The study addresses the following core issues:

1. The adequacy and optimization of PSO funds received by PT PELNI.
2. The effectiveness and efficiency of PSO implementation in providing economy-class maritime transport services.
3. The alignment of PSO implementation with its intended goals.

The research aims to provide actionable insights for policymakers and stakeholders in the maritime transportation sector. Specifically, it seeks to:

1. Assess the contribution of subsidized routes to local economic development.
2. Identify factors influencing the efficiency and effectiveness of PSO programs.
3. Propose strategies to enhance the competitiveness of maritime transportation,

ensuring it remains a viable alternative to air travel.

This study employs a qualitative descriptive approach to analyze primary and secondary data, drawing insights from PT PELNI's operations and relevant literature [2], [12]. By doing so, it aims to bridge the gap between policy intentions and ground realities, providing a foundation for more effective public service delivery in maritime transport.

The findings of this study are expected to contribute both theoretically and practically:

1. **Theoretical Contributions:** Offer recommendations to improve the effectiveness of PSO implementation at PT PELNI.
2. **Practical Contributions:** Enhance understanding of challenges and opportunities in optimizing PSO programs for maritime transportation.

Maritime transportation is not merely a logistical necessity; it is a cornerstone of Indonesia's economic development as an archipelagic nation. By addressing the challenges of PSO implementation, this research aspires to contribute to the equitable and sustainable development of Indonesia's transportation infrastructure.

## METHOD

This research adopts a qualitative descriptive approach to evaluate the effectiveness of PSO implementation at PT PELNI. A qualitative approach emphasizes in-depth analysis and understanding of phenomena through observation and exploration of narratives and contextual data. Descriptive research, in this case, is particularly suitable for identifying key challenges and opportunities associated with PSO implementation [13].

### Data Collection

1. **Primary Data**  
Primary data was collected directly from PT PELNI through observation, interviews, and field studies. Observational methods were employed to capture real-time information about operations, service delivery, and logistical challenges. Field studies involved visits to ports and remote locations serviced by PT PELNI, enabling the researcher to assess the effectiveness of subsidized routes in connecting underserved regions.
2. **Secondary Data**  
Secondary data was obtained from existing literature, government regulations, and industry reports related to PSO. Key

sources include *Law No. 17 of 2008 on Shipping* [4], *Ministerial Regulation No. PM 16 of 2014* on fare limits for economy-class passenger ships [8], and other pertinent legal frameworks and academic references [2], [10].

#### Analytical Framework

The analysis employs a SWOT (Strengths, Weaknesses, Opportunities, and Threats) framework to assess internal and external factors influencing PSO implementation. This method provides a structured approach to evaluate PT PELNI's strengths (e.g., government backing, extensive route coverage), weaknesses (e.g., inefficiencies, high operational costs), opportunities (e.g., potential market expansion), and threats (e.g., competition from air travel) [11], [15].

Additionally, the research integrates key performance indicators (KPIs) for evaluating the impact of PSO on:

1. Service quality and accessibility.
2. Contribution to regional economic development.
3. Cost-efficiency and sustainability of operations.

#### Research Focus

The study narrows its focus to the following questions:

1. How effectively are subsidized shipping routes contributing to local economic growth?
2. What factors influence the efficiency and sustainability of PSO implementation?
3. How does PT PELNI's performance compare with alternative modes of transportation, such as air travel?

#### Data Analysis

Data is analyzed thematically, with findings categorized into operational, financial, and socio-economic dimensions. Observational insights are triangulated with secondary data to ensure accuracy and reliability. The results are then synthesized to develop actionable recommendations for improving PSO delivery.

## RESULTS AND DISCUSSION

### Role of PSO in Maritime Transportation

Public Service Obligation (PSO) plays a vital role in ensuring equitable access to maritime transport services, particularly for underserved and remote regions. Indonesia, as an archipelagic nation, relies heavily on maritime transportation to connect its disparate islands. PSO provides

subsidies to operators like PT Pelayaran Nasional Indonesia (PT PELNI) to address gaps in infrastructure and services that are critical for economic development. According to *Ministerial Regulation No. KM 60 of 2010* [6], PSO is designed to bridge these gaps by offering subsidized transportation services to areas where commercial viability is lacking.

Despite its potential, the implementation of PSO has faced persistent challenges. Mismanagement of funds, inefficiencies in service delivery, and the misalignment of goals with operational outcomes have raised concerns about the program's effectiveness. As maritime transportation plays a central role in mobility, trade, and economic integration, addressing these inefficiencies is crucial to ensuring that PSO achieves its intended objectives.

### Performance of PT PELNI's Subsidized Routes

The performance analysis of PT PELNI's subsidized routes highlights stark disparities in their effectiveness. These disparities are categorized as follows:

#### 1. High-Performing Routes:

- a. These routes exhibit strong passenger uptake, indicating their relevance and alignment with regional needs.
- b. They contribute significantly to regional trade and mobility, enabling the transport of goods and passengers in a cost-effective manner.
- c. The economic activities stimulated by these routes underscore the potential of PSO to drive socio-economic growth when managed effectively.

#### 2. Underperforming Routes:

- a. Many subsidized routes experience low passenger volumes, making them financially unsustainable despite receiving substantial subsidies.
- b. High operational costs, compounded by inefficiencies, limit the capacity of these routes to deliver value.
- c. Increasing competition from alternative transportation modes, particularly air travel, poses additional challenges. Air travel's faster and more flexible services have drawn passengers away from maritime transportation.

These findings align with previous research that highlights inefficiencies in public service delivery across the transportation sector [3], [14]. Addressing the underperformance of certain routes requires targeted strategies, including reallocation of subsidies, enhanced operational oversight, and better alignment of services with regional demand.

### SWOT Analysis of PT PELNI

To comprehensively understand the internal and external factors influencing PT PELNI's operations, a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis is conducted:

#### Strengths:

1. Government and Regulatory Support: PT PELNI benefits from strong governmental backing, ensuring financial stability and operational assistance.
2. Established Fleet and Routes: The company owns seaworthy vessels and operates a robust network of subsidized routes, providing a foundation for broad service coverage [9].

#### Weaknesses:

1. High Operational Costs: Inefficiencies in resource utilization contribute to elevated operational expenses.
2. Limited Schedule Flexibility: Fixed schedules restrict responsiveness to dynamic passenger needs, reducing service appeal [12].
3. Service Perception: Public perception of inefficiency in service delivery has negatively impacted the company's reputation.

#### Opportunities:

1. Expansion into Underserved Regions: By adopting innovative service models tailored to local needs, PT PELNI can expand its reach into remote areas.
2. Digital Transformation: The integration of advanced logistics, ticketing systems, and data analytics presents opportunities to enhance operational efficiency and improve customer experience.
3. Strategic Collaborations: Partnerships with private operators could enable cost-sharing and broader service coverage.

#### Threats:

1. Rising Competition: Private operators and air travel providers offer faster and more convenient alternatives, attracting a growing share of passengers.
2. Shifting Public Preferences: The preference for air travel due to its speed and flexibility continues to erode the market share of maritime transportation.

### Contribution to Regional Economic Development

Subsidized routes under PSO play a critical role in fostering regional economic growth. These routes facilitate connectivity, trade, and access to essential services in remote and underserved areas. The economic benefits of these routes include:

1. Mobility and Trade: By connecting isolated regions, subsidized routes enable the movement of goods and passengers, supporting local industries and boosting trade activities.
2. Access to Services: Improved connectivity allows residents in remote areas to access healthcare, education, and employment opportunities, thereby enhancing their quality of life.

However, these benefits are often undermined by operational inefficiencies, inconsistent service quality, and inadequate infrastructure. Key challenges include:

1. Delays and Limited Frequency: Irregular schedules and long waiting times deter passengers and reduce the attractiveness of maritime transport.
2. High Fares for Certain Routes: Despite subsidies, fares remain unaffordable for lower-income communities in some regions.
3. Service Quality Issues: Limited amenities, outdated vessels, and safety concerns contribute to negative passenger experiences.

### Addressing Inefficiencies in PSO Implementation

Improving the effectiveness of PSO programs requires targeted interventions. Based on the findings, the following strategies are recommended:

1. Performance-Based Subsidy Allocation:
  - a. Redirect funds from underperforming routes to high-performing ones to maximize impact.
  - b. Implement regular performance evaluations to identify areas for improvement and reallocate resources accordingly.
2. Operational Optimization:
  - a. Introduce flexible scheduling to align services with passenger demand.
  - b. Upgrade vessel facilities and ensure adherence to safety and maintenance standards.

- c. Streamline logistics to reduce operational costs and improve efficiency.
- 3. Technological Integration:
  - a. Adopt digital tools for route planning, ticketing, and passenger feedback collection.
  - b. Use data analytics to monitor route performance and adapt strategies in real-time.
- 4. Strategic Partnerships:
  - a. Collaborate with private operators to expand service coverage and share operational risks.
  - b. Explore public-private partnerships (PPPs) to fund infrastructure improvements and service enhancements.
- 5. Passenger-Centric Approach:
  - a. Enhance customer experience by addressing service quality concerns, such as punctuality, comfort, and affordability.
  - b. Increase public awareness of PSO programs to build trust and encourage greater utilization of subsidized routes.

### **The Role of Policy and Regulation**

Regulatory frameworks play a crucial role in shaping the effectiveness of PSO implementation. The following policy recommendations are proposed:

1. Strengthen Monitoring Mechanisms:
  - a. Establish an independent body to oversee the allocation and utilization of PSO funds.
  - b. Conduct regular audits to ensure transparency and accountability in financial management.
2. Revise Subsidy Frameworks:
  - a. Transition from blanket subsidies to targeted assistance that prioritizes economically critical routes and regions.
  - b. Develop criteria for evaluating the socio-economic impact of subsidized routes.
3. Encourage Regional Collaboration:
  - a. Promote coordination between central and local governments to align PSO initiatives with regional development plans.
  - b. Involve local stakeholders in decision-making processes to ensure that services address community-specific needs.

The analysis underscores the critical role of PSO in maritime transportation, particularly in promoting equitable access and regional development. While PT PELNI's subsidized routes have demonstrated significant potential, inefficiencies and operational challenges limit their overall impact. By adopting performance-based subsidy allocation, optimizing operations, leveraging technology, and fostering strategic partnerships, PT PELNI can enhance the effectiveness of its services. These measures, supported by robust policy frameworks, will enable PSO to fulfill its mission of bridging infrastructure gaps and driving inclusive economic growth in Indonesia's archipelagic regions. Future research should focus on comparative analyses of PSO implementation across different transportation modes to identify best practices and innovative solutions for enhancing public service delivery. Additionally, exploring passenger feedback and socio-economic outcomes at a granular level will provide deeper insights into the program's impact, ensuring that PSO continues to meet the evolving needs of Indonesia's diverse population.

### **CONCLUSION**

The study highlights the critical role of Public Service Obligation (PSO) in promoting equitable access to maritime transportation and supporting regional economic development. Despite its potential, the implementation of PSO at PT PELNI faces significant challenges, including inefficiencies, high costs, and competition from other transportation modes.

To address these issues, the following recommendations are proposed:

1. Performance-Based Subsidies: Reallocate funds based on route performance to ensure optimal utilization of resources.
2. Service Optimization: Enhance schedule flexibility and reduce travel times to improve service appeal.
3. Technological Integration: Leverage digital tools to streamline operations and improve customer experience.
4. Strategic Partnerships: Collaborate with private operators to expand service coverage and share operational costs.

By implementing these measures, PT PELNI can strengthen its role as a provider of essential maritime services while contributing to Indonesia's broader economic development goals.

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