The Framework of Start-up based Transportation Regulation in Indonesia

To cite this article: Arif Ridho Lubis and Muharman Lubis 2019 J. Phys.: Conf. Ser. 1361 012006

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The Framework of Start-up based Transportation Regulation in Indonesia

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Abstract. The growing progress in the IT field itself has an impact on the changing pattern of people's lives, in Indonesia technological progress can be seen from the more start-ups created by the young generation, the start-up is used for the means of transportation. The start-up itself is used to facilitate the public to deal directly with the means of transportation. The problem that arises today is the absence of regulations governing the use of start-up in transportation, due to the current transportation regulations of the government, nothing is set about start-up, and it is not even existed in Indonesia. Therefore, it is required to have synergies from all stakeholders associated with this to have a meeting to make regulations so that the technological progress itself increasingly positive impact in the community.

1. Introduction

In Indonesia itself there have been regulations governing the means of transportation contained in Law no. 22 of 2009 on Traffic and Road Transportation made by the Government, it governs many things which one of them is about the criteria called the public means of transportation. Of some of them, the use of private transport is more dominant than the use of public transport. Viewed from this point, someone take advantage of the momentum to create a startup that can make private transportation a multifunction as a public transport as well. In 2010, Nadiem Makarim established PT. Applications Anak-Anak Bangsa or often referred to as GO-JEK. It is a startup focusing on public transport services. The emergence of GO-JEK makes the existence of public transport threatened. The public transporters conducted a demonstration to stop and even eliminate online-based public transport. Therefore, it is the government's important role to make regulations devoted to online ground-based means of transportation. Previously there has been Law no. 22 of 2009, one of which governs the means of land transportation but the Law contains only matters relating to public transportation only without including online-based transportation. In 2016, the Minister of Transportation no. 32 of 2016 appeared on the Implementation of Public Passenger Transportation with Non-Route Motor Vehicles based on Law no. 22 of 2009. Certainly this regulation is not perfect; there are still some points that just hurt some parties. Then in 2017 the Regulation of the Minister of Transportation no. 108 of 2017 appeared on the Implementation of Public Passenger Transportation with Non-Route Motor Vehicles. This new regulation is better than the previous one because it is more concerned with the related parties resulting in minimal clashes between the transporters. However, all regulations are issued by the Central Government which of course each region has different problems, therefore it should also be created for each region that has applied the online transport so that the existing regulations are more efficient that prioritizes the security, comfort and integrated. Startup in Indonesia is growing very rapidly, the more startup is built the easier the user / people will be. Based on the report, startup gets higher rank until February 2018 noted that there are 1.705 Startup in
Indonesia. One of the developments of startup itself can be seen in transportation, one of the real examples is Go-Jek, Grabbike, Grabtaxi, Uber, Bajaj App. In other fields we can see that the growth of online sales applications makes it easier for users to shop. This study explore the issues of start-up development and the interaction to current regulation by providing the framework to bridge the gaps between them.

2. Literature Review

The online transportation gets involved successfully in Indonesia because the government provides fewer means of transportation which is adequate, integrated, safe, convenient and cheap. The occurrence of transportation problems encourages the transporters of online transportation to innovate in the field of transportation but it is still illegal. Undeniable, in modern era encourage people to move faster by using application-based transportation. Various means of application-based transportations continue to grow in Indonesia and increasingly popular, especially in big cities. Competition in the application-based transportation market begins to be advantageous in business that relies on convenience and practicality. However, there is also the implication of acceptance of the advancement of technology because disrupt the demand of the existing market, value network, displacing established market-leading firms, impact the pricing standard, change the structure of the products and offer new perspective to the business alliances. In addition to substantial monetary losses obtained by the competitor, the innovation by start-up also can deliver the blow and effects on a government’s reputation, placing at risk the ability to implement certain program effectively, establish a deadlock in the healthy partnerships due to lack of regulation for directing and control the process as well the isolated contributions to the society. Effective prevention, detection and response mechanisms, therefore, play a key role in safeguarding organizations’ interests against these negative impacts [1]. In addition to ensuring compliance with the essential services that such brand recognition should provide, there is an important function to promote improvement by providing independent, reliable and timely information on the quality of service from provider beyond basic standards and such an acknowledgement guaranteed by its standard operational, which should be described as quality evaluations [2].

The characterization of a well-functioning system develop the basis for organizational structure to align with regulatory interest, reflecting both the general empirical observation of conceptual theory and the perception of the concept within the system established at a point of reference, defined in the term of results and serving to consolidate expectations. In relation to the functioning of the system and its results, thus providing a standard for conceptualization and design [3]. Meanwhile, the government participation is not sufficient without allowing another private institution to be involved though required various constraints such as coverage and time. This synergy will improve effectiveness and efficiency in terms of accessibility, availability and performance, which the start-up can received recognition from the government in accordance with the basic objective of the development of the organization [4]. The negative effects from conflict between those different perspectives in technology, legal and social are not because the lack of the solution offered but on the difference in the agreement of the standards and regulation initiatives [5]. To prevent the occurrence of cybercrimes, the appropriate function must be strictly applied under the legal power with the imposition of a severe penalty on the perpetrator. Apart from that, the ethical dilemma could be the primary problem in terms of the proliferation of pornography and violent material throughout the world, which could be interpreted in different perspective. Anyone with an Internet connection on their laptop or electronic devices can access these sites freely without restrictions, even those under legal age [6].

An evaluation of regulatory initiatives on the ultimate outcome of concern and on the costs – would entail measuring two different indicators, which related to a measure of benefits and a measure of costs [7]. Regulators should estimate the total expected costs and benefits of each regulatory proposal and viable alternatives and make available the prediction to the decision makers. The costs of government actions must be justified by their benefits before taking action [8]. In addition, there may be a number of different risk ratings in any regulatory agency, which are often driven by legal
frameworks that agencies must apply [9]. The failure of building regulation has been compounded by poorly formulated and poorly communicated building codes. Corruption of local regulatory authorities, where they do exist, has further compromised implementation of and compliance with safe building and land use principles [10]. In order for the development of regulatory framework to be successful from the perspective of all involved parties, the requirements of those parties must be coordinated in a way that allows for economically beneficial and environmentally sound performance of all aspects of operational and consumptive process [11].

3. Problems on Application based Regulation

3.1 Technological Point of View

The more information technology develops the easier human life interact each other. The emergence of a very helpful startup in the means of transportation is one of the good development for the nation young generation, especially the actors of information technology in Indonesia. One of such applications is Go-Jek. It greatly helps human life especially in matters relating to transportation. It has altered the life-style of human beings which initially had difficulties in various aspects and safety that were lacking in conventional transportation, with the startup devoted in the means of transportation minimizing the negative aspects. The gap experienced by conventional transportation makes the existence of a startup focusing on online transportation threatened so that it becomes a challenge for IT actors to continue to make new startups in Indonesia or even stop to generate innovative new startups. Competition is the most undeniable challenge facing start-up companies, which must be assumed the weight of two-way dimensional pressures; one comes from monopolistic companies that dominated the market to prevent the newcomers to emerge and the infinite number of new companies that launch regularly in the market with the innovative ideas, which might be collaborated with other startups. The good thing, it forces companies to do better in term of providing service and product to customers. In fact, there is a whole range of opportunities for entrepreneur especially pricing strategy and service delivery, which many customers are willing to try new products or services that have not been tested. To overcome competition, new companies must conduct research, analyze their niche industries and create unique value by different approach from the others in which the implementation of their business plan going in the fast track.

3.2. Governmental Point of View

Government's point of view on the regulation clearly regulating the startup does not yet exist, now there is only the UU-ITE regulation, in which it regulates only globally, not specifically. Government is confused to formulate the problems that exist in Indonesia itself, because of the overlapping regulations between related agencies. For example, the startup in transportation between UU-ITE which its formation issued by Menkominfo is not in line with the Act in Ministry of Transportation. Previously, the government banned the online transportation operation because it did not comply with some aspects contained in the Act and indeed until now there are some areas that are prohibited from online transportation to operate. However, because online transport is very helpful to human life, the government allows online transportation to operate and is certainly covered by government regulations that contain some restrictions and limitation on it. However, startup business problems related to the regulatory laws for managing the employees which can lead to fines. Employees are extremely costly and some countries require payment of quarterly or yearly taxes to be paid regardless of the profitability of the company’s business. Thus, startups must report new appointments to the government in relate to their administrative expenses and payroll taxes.

4. Transportation Regulation in Other Countries

Not only in Indonesia, but also in some developing countries, there are regulation on transportation, especially in Brazil. Public transportation in Brazil is one step ahead rather than in Indonesia, though both of them are not categorized as developed countries such as Europe and Japan.
Of all public transportation in Brazil, Onibus (public bus), tram and metro are the most widely used.
Tram is different from metro in case of the speed. Metro is faster than the tram. It is the fastest freight
owned by the Sao Paulo government, which began operating since 14 September 1974. System of
transportation fare is not using money, but a transport card called bilhete único. It is the same size as
an ATM card or credit card. It is very easy to use, that is just attach it on the sensor machine located in
the station or in the onibus. Transportation fare in Brazil is very cheap, which is only r$ 3.00 for
metro. Special fare for students is are half of the general price. It is easy to use bilhete único, just
attach it on the sensor machine, and automatically it will be charged. Transportation fare will be
displayed on the screen. Moreover, facilities for people with disabilities already exist and are highly
devoted.

Compared with developed countries, public transportation in Indonesia is still far behind, one
example in Britain. It relies on public transportation such as buses, taxis and underground transport
known as tube network. Underground transport is more efficient for people who travel in the city.
Britain citizens prefer to use the tube network because it is faster than a bus whose path is complicated
and time consuming. In Japan, the most popular public transport is the train. This transportation is the
main transportation used by the workers and the number of passengers is almost the same as that in
Jakarta. The difference is unlike in Japan, that there are still many problems in Jakarta. If the train is
delayed, the departure time will be accelerated from the schedule. Meanwhile, buses and public
transportation in Japan have their respective departures and are always on time. In the United States,
the people relies heavily on the subway and Metro. However, most of them prefer to walk after getting
off the subway because the sidewalks in the Land of Uncle Sam is neater and used as its function, i.e.
a place to walk. Subway and Metro is the most efficient transportation for intercity traveling and is
somewhat cheaper than taxi. Moreover, there are discounts given to students.

5. Framework Offered

![Figure 1. The flow chart of the solution]
To solve the problems of public and online transportation in Indonesia, it should refer to the developed countries providing strict rules on transportation, especially online transportation. In the UK, especially in London, every car must be labeled as 'Taxi', the process is not easy. The UK calls it Uber service with Private Hire Vehicle or private car used as a freight. New regulations on public transport were published in September 2016. Through Transportation for London, the government enforces standards for drivers registered on the Uber system. All drivers are required to be licensed, have English proficiency, and report regularly about all of their business activities. Uber in the UK also will not have the experience as a cheap means of transportation like elsewhere. It is bound by the minimum wage rules in the National Minimum Wage Regulation 45. Then in Singapore after online taxis have been running for four years, on February 7, 2017 the Government of Singapore impose obligations on them. All companies under online taxi such as Grab and Uber must comply with Road Traffic Act. According to the Singapore Parliament, the regulation was made to ensure that application-based transport service providers can run standardized services. The driver must register and take the standardization step. Failure to comply with this regulatory mechanism will be subject to sanctions of 10 thousand Singapore dollars. On August 16, 2016, the Malaysian Transportation Authority (SPAD) initiated the amendment process of land transport regulations to reform the taxi industry in Malaysia. The new rules also include online transport services such as Grab and Uber. Grab which started the business in Malaysia is also covered. Together with Uber, all transport freight whether it is based on application or conventional will have the same rights and obligations. Through this amendment, every online taxi driver is required to have a license. This is applied to minimize the security risks that will arise due to unlicensed taxi. In the country where Uber's office is located, some states reject it. The company is considered doing unsafe services because it provides no strict company policy. Reported by CNBC, 64 cities and 39 states in the US have enacted regulations on online taxi companies. The regulation requires each driver to register at an online taxi company to have a license complying with security standards. Of the several solutions some countries have described, Indonesia should be able to make some of these as a reference to solve the problem of online transportation in Indonesia. Here is a flowchart to solve the problem of online transportation in Indonesia.

![Flowchart](image)

**Figure 2. Interaction between Start-up and Regulation Framework**

Business model have been highly influence by problem statement, social entrepreneurship and user experience, which highly motivated to impact the market dynamic that commonly consist of pricing strategy, fluctuated demand and supply pressure. The position of regulation is extremely important to govern and control the business model and dynamic market but they are greatly consider valued added from the start-up company to provide better service and product to community. Before
launching their business model; at current time it is not fixed, the start-up must conduct a thorough investigation when analyzing suppliers, taxes, consumption and competitors’ prices. It is always difficult for startups to discover the appropriate ways to market their products or services, which required optimum return on investment. The marketing focus targeted the effective results-oriented to make them vulnerable and gain long-term trust from potential customers. Without a comprehensive marketing strategy, corporate profits can take a sharp turn. Therefore, today’s digital technology has opened a wide range of marketing methods in the form of electronic, print, electronic, mobile and video advertising. Thus, start-up only need simple but comprehensive strategy to be creative in creating innovative marketing plans, placing advertisements and making people aware of their product or service value. In short, a good marketing strategy has a vision, mission, and business objectives, which should be able to clarify the position and function of commercial products or services in the market. An appropriate marketing strategy essentially requires the efficiency with which to deal with customers and encourage their future loyalty. It is very important that start-up team can grow exponentially as their primary objective. On the other hand, there must be adequate synergy, coordination, and communication between team members. Any team is made up of individuals who have a different set of skills with the same focus. This agreement allows members to help each other, learn from each other and develop a concerted effort to achieve success. The diversity and dedication of the team can lead innovation but the challenges and problems are inevitable when it comes to the success of the start-up company. They should be flexible and focus on keeping their values intact, regardless of the circumstances to anticipate the difficulties and risk.

6. Conclusion

As a rule of thumb, startups should always discover an alternative to reduce their operational costs such as invoice collection to accelerate accounts payable, though at many situations the growth become essential target to achieve as the part of investment. In this digital age, when bills are paid through cell phones, there is no problem in demanding immediate payments from customers. It is also very important to get credit before you need any business, where you can easily calculate how much money need to survive and expand the business service through proper planning. Creating added value is the key for start-up to deciding their business model and aligning it with regulatory requirements. The writing of a formal business plan based on the vague requirements of some companies is suicidal. Due to poor planning, many companies fail in the first year because they do not effectively ensure challenges and pitfalls. Even if start-ups have innovative ideas and ambitions, but their business plans lack perspective, they are doomed to failure, or they have to evolve and change constantly.

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