

Policy Analysis of Indonesian Ports: A Study of Batu Ampar Free Port

Ady Muzwardi

*Department of International Relations, Universitas Padjadjaran, Bandung, Indonesia,
ady18002@mail.unpad.ac.id*

Obsatar Sinaga

Department of International Relations, Universitas Padjadjaran, Bandung, Indonesia

R. Widya Setiabudi Sumadinata

Department of International Relations, Universitas Padjadjaran, Bandung, Indonesia

Siwage Dharma Negara

ISEAS-Yusof Ishak Institute, Singapore

Abstract

Indonesia is a maritime country which has around 17,500 large and small islands. As a maritime country, Indonesia's economic growth depends on the logistics system. The framework of the logistics system depends on the port system, inter-island shipping, and international shipping. Indonesia's port system currently needs to improve its competitiveness. This phenomenon can be seen from the low volume of goods traffic at border ports, especially in the Malacca Straits region. Indonesia is trying to strengthen its border areas with a policy of developing Pheriphery areas, encouraging the formation of Free Ports in Free Trade Areas and Free Ports (KPBPB) in Sabang, Batam, Bintan and Karimun. Batam Free Port is the leading port facing competition in the Straits of Malacca. Based on the fact that the Batam Free Port is undeveloped and has low competitiveness. Thus, this research will address the following questions: How is Batam Free Port Managed? Based on the formulation of the problem above, the objectives of this research are: To examine the contribution of the International port regime, namely the Free Port Regime, to the Free Port policy in Indonesia towards the Batu Ampar International Port after its establishment as a Free Port from an international political-economic perspective. The type of research used in this research is descriptive qualitative research. This research is considered field research when seen from the perspective of the research site. In detail, it can be explained that this research is located in a free port in Batam City, Riau Archipelago Province. First, at the international level, the Batu Ampar Free port in Batam is yet to be compatible with the Free Port regime. In the international logistics ecosystem, Batam's Batu Ampar Free Port is still dependent on Singapore. Second, the most important finding in this study, namely the influence of inconsistent central government policies in the management of Batam's Batu Ampar Free Port so that the port model reflects only some of the ideal free ports in the international logistics ecosystem.

Keywords: *Free Port Regime; KPBPB Batam; Singapore: Port Policy.*

1 INTRODUCTION

The success of a port is influenced by the suitability of the location and conditions in the waters, which is part of an indication of port competitiveness (Bocheński et al., 2021). The location of the port and inland waters is medium to accommodate the presence of large-sized ships and large-scale cargo movement as a condition for selecting the port as a hub port. (Toh Mun Heng, 1998). The success of a hub port is supported by its strategic location and water depth and the industry's success around the port area. The industry is the primary indicator of the traffic of goods that can increase port competitiveness (Boontaveeyuwat & Hanaoka, 2010; Prawira et al., 2021).

Southeast Asia is an area that has a strategic geographical position where this area is a route that connects the markets of Africa, the Middle East, Europe and East Asia. In particular, this area has the Malacca Strait as the second busiest strait in the world after the Hormuz Strait. Every day it is estimated that more than 200 ships pass through the strait. Then it is estimated that more than 50% of these voyages carry more than five thousand tonnes and more than 10% of these voyages carry less than 30 thousand tonnes (Dang & Yeo, 2017). Malacca Strait has three main port hubs: PSA, Port of Klang, and Tanjung Pejuang. The three ports can accommodate giant ships with a volume of 11 thousand to 25 thousand TEUs. Indonesia as a maritime country has three ports which can become the central hub ports in the Malacca Strait. The three ports are Batu Ampar, Belawan and Kuala Tanjung Free ports. These three ports have strategic locations and deep waters, but these ports have never been the primary choice for international shipping.

Of the three ports, the free port of Batu Ampar is the port that is directly opposite the ports of PSA and Tanjung Pejuang. The Batu Ampar Free Port is the main port in the Riau Archipelago Province. This port is located in

the Batam free trade area. Based on Indonesian government regulation number 46 of 2007, this port is a free port that functions as an export-import port.

Batam is an area designed by the Central Government as a Logistics Hub Port. This plan was started in the Pertamina era in the 1970s and the President BJ Habibie era in the 1980s. President BJ Habibie developed Batam Port as a Bonded Zone Port to strengthen the port's status. This status continued to transform into a Free Port when President Susilo Bambang Yudhoyono inaugurated Batam as a Free Trade Zone and Free Port. The status of the Free Trade Zone and Free Port of Batam is the result of economic cooperation between the governments of Indonesia and Singapore for investment development in the Batam, Bintan and Karimun areas in 2006.

This study focuses on the free port of Batu Ampar as one of the leading container ports in western Indonesia. The assessment is through observing the management model and competitiveness of the port based on strategy, infrastructure and human resources. This article consists of several structures, namely: section 2 presents a review of literature related to port competitiveness and management, section 3 presents the methodology used, section 4 presents an overview of the condition of the Batu Ampar free port, and section 5 presents data analysis, and section 6 presents the conclusions of this study.

2 Literature Review

2.1 Free Port and international ecosystem

In general, international free ports are categorized into three categories based on the sorts of activities conducted, namely:

First, commercial port areas, namely ports that focused on trading activities. Activities in this port are limited to the delivery of goods, which play a more significant role in crossing goods without treating goods in international trade

activities and only as an export port. The main activities of this type of free port are inspection, sampling, maintenance of goods and a series of practical activities in preparing for the delivery of goods. Among others, packaging for increased marketing value or packaging for shipments such as consolidation and deconsolidation, sorting and repackaging. These activities are not subject to customs duties, so the exported goods still have high competition in the market.

Second, industrial area for industrial activities that allow processing of goods to be sent or goods sent before distribution to the market. In industrial free port areas, free ports regulate the traffic of goods and services and carry out the processing of goods to increase their economic value. Activities carried out at this port are granting permits for processing or manufacturing, exempting customs and excise levies and applicable taxes.

Third, is the Free Trade Zone (FTZ). FTZ is a development of the Special Economic Zone (SEZ) concept, where SEZ is a macro terminology for an area determined to provide an internationally competitive environment free from various business barriers to spur an increase in national exports. SEZ is a model that refers to areas with open economic policies, including Free Trade Zones (FTZ), Export Processing Zones (EPZ), ports, High Tech Industrial Estate, and so forth—or zones within zones. This conception gives authority to the implementing agency to fully operate the SEZ on the central government's mandate.

2.2 Port Governance Concept

The concept of governance is commonly known as a matter of governance. However, this concept goes beyond the general context and can be derived from a corporate and social perspective. According to (Stokers, 1998) quoted from (Lam et al., 2013): "Government is a complex set of institutions and actors taken from outside and within the

government. The government identified the actors' self-regulation mechanisms".

Similarly, Monios (2015) argues that official government institutions are only one part of the entire governance process. Governance then becomes a broader process of distributing power and allocating resources, which will regulate relationships, attitudes, or processes to achieve the desired results.

Ports tend to build new governance or governance structures, which must be attached to specific regional conditions in terms of the culture and objectives of the port itself (Notteboom, T., Pallis, A., & Rodrigue, 2022). Any governance model must consider three fundamental questions: who, what, and how it manages. These three points directly relate to the basis of government: its structure, actions, and elements. Structure leads to regulatory framework; action refers to equipment and leads to coordination; and element refers to the people and the genre.

The framework of port governance underlined that port governance refers to the ownership, management and control of the operation of a port (Talley, 2009). Perceptions of the concept of port governance are similar to those stated by (World Bank, 2007), which indicates what port governance is for but does not explain what this implies. Two levels—Ports and Port Authorities—can be identified when other authors are taken into account. As stated (Verhoeven & Vanoutrive, 2012), the first level refers to the socio-economic agents and political bodies related to the port and the second level is towards port management. In the end, the exchanges between policymakers and port authorities are how governance processes are articulated; the more significant the autonomy of the port authority, the greater its responsibility in port management performance (Brooks & Pallis, 2008).

It is necessary to distinguish between PA governance and port governance in seaports.

PA governance is closely related to corporate governance issues, such as shareholder influence, the structure of governors, and corporate social responsibility. On the other hand, port governance is more related to cluster governance because a port consists of various actors. Ultimately, the process of port governance lies in establishing a set of regulations suited to its future trajectory and objectives (Brooks, 2009). According to (González Laxe et al., 2016), the key elements for port governance in practice are the institutions, mechanisms, and processes involved.

As the guide provided by (The World Bank, 2007) stated, there are four basic models of port administration. However, they may vary depending on the legal status of the relevant port authority (Ferrari C, Parola F, 2015). These four models include Service Port; Equipment Port; Land Owner Port; and Private Service Ports. The distinction between the models depends on who provides the port services and who carries out the ownership and management of the supra infrastructure: public or private sector (for a deeper understanding, see also Brooks (2009)). Ultimately a port model is selected based on its socioeconomic context, facility location, traffic flow and historical development (i.e., on how the ports are organized, structured, and managed).

Furthermore, Brooks (2009) identified five basic alternatives to port governance depending on how the public and private sectors share port ownership, management and control, namely:

- a. ownership of management and control centres;
- b. central ownership and local management and control;
- c. public ownership and local management and control exercised by corporations;

- d. public ownership with private management through concession arrangements; and

- e. private ownership, management and control.

According to Verhoeven and Vanoutrive (2012), the port governance model is determined by the size of the associated port authority and depends on the port's socio-economic environment and performance (Brooks & Pallis, 2008). Usually, the government carries out reforms in port governance programs to increase efficiency, deal with budget constraints or simply for ideological reasons. However, these guidelines only sometimes lead to the expected results. It is necessary to develop a suitable port governance model (according to the context, objectives, and challenges as stated) to achieve optimal results. Nonetheless, it must be emphasized that the entrepreneur's context can determine a port's success much more than the formal port governance model (Verhoeven & Vanoutrive, 2012).

The main goal of port governance is to improve facility performance by establishing an appropriate management model to achieve the expected goals. However, governance is not the only element that determines port performance. This goal is also related to the efficiency and effectiveness of the port logistics chain (Brooks, 2009; Vieira et al., 2014). A lack of active port policies, a poor statement of purpose, the simultaneous development of additional policies with a negative impact on port outcomes or simply an inadequate decision can produce undesirable results. González Laxe et al., (2016) suggest that the port result depends on the context. However, despite the relevance of the governance-outcome relationship, sparse economic literature goes beyond analyzing port structure and function. To fill this gap and deepen the governance assessment, Borges (Vieira et al., 2014)

analyze port governance by separating its different dimensions, Namely:

- a. Structure, identify components and evaluate their effectiveness and evolution over time;
- b. Actions, taking into account the degree of coordination between them at both flow and agency levels; and
- c. Elements, through an evolutionary analysis of their level of coordination and efficiency in information flow and management.

2.3 Dependencies

Dependency theory is a critical theory in conducting different analyzes of the state of a country's economy and its dependence on other countries. Several concepts have been incorporated into this area from all over the world, making this area an interdisciplinary one (Arman & Ahmed, 2021). Dependency theory can be seen as a critique based on the following question or problem: Why do some countries get rich while others stay poor? This question is against the previously held conception that economic development benefits every state in the international system. However, economic prosperity in certain countries often results in severe problems of underdevelopment (Romaniuk, 2017).

Dependency theory is not only a theory about development, but also a part of inequality, international relations, and maybe even justice (Bellomo, 2022). There are three features common to this definition that most dependency theorists share (Ferraro, 1996), that is:

- a. Dependencies characterize the international system as consisting of two states, variously described as dominant/dependent, central/periphery or metropolitan/satellite. Dominant countries are advanced industrial countries in the Organization of Economic Co-

operation and Development (OECD). Dependent countries are Latin American, Asian and African countries with low per capita GNP and highly dependent on the export of a single commodity for foreign exchange earnings.

- b. Both definitions share the assumption that external forces are critical to economic activity towards dependent countries. These external forces include multinational corporations, international commodity markets, foreign aid, communications, and other means at the disposal of advanced industrial countries to represent their economic interests abroad.

- c. The definitions of dependency suggest that the relationship between dominant and dependent states is dynamic in that interactions between two sets of states tend to reinforce and intensify unequalness patterns.

3 Methodology

The type of research used in this research is descriptive qualitative research. The type of research used in this research is descriptive qualitative research. Field research seeks to study the realities of people's social life directly. Qualitative research is a particular method in the Social Sciences that fundamentally depends on observing humans in a particular entity and dealing with these people in their language and terminology (Maxwell & Maxwell, 2013). Thus understanding and understanding the language conveyed, the information heard becomes the strength of the subject who researches to analyze it. The whole series of understanding activities will also result in different interpretations from one individual to another. That is why qualitative research contains results of relative truth as well. However, researchers can minimize their mistakes by simultaneously observing the behaviour of someone who conveys the meaning of specific information in their language (Spiers & Riley, 2019). The choice of this qualitative research

design is based on its flexible and in-depth ability to analyze the implementation of the Indonesian Port Policy on Border Ports through the International Port Regime Approach: Batam Container Free Port Study by classifying indicators that need to be developed to create a proper diplomacy model with maritime conditions in the border area. Thus this research will further explain the free port governance system comprehensively.

4 Discussion

Batam is part of Indonesia's territory, a national strategic area. The choice of Batam as a national strategic area must be distinct from its strategic location in the border area. The location of Batam's waters is in the Malacca Strait which connects international shipping routes between the Indian Ocean and the Pacific Ocean (The Straits Times, 2019). Batam is one of the administrative areas in the Riau Archipelago Province (Riau Archipelago) (Giovani & Siahaan, 2013; Sidiq & Achmad, 2021).

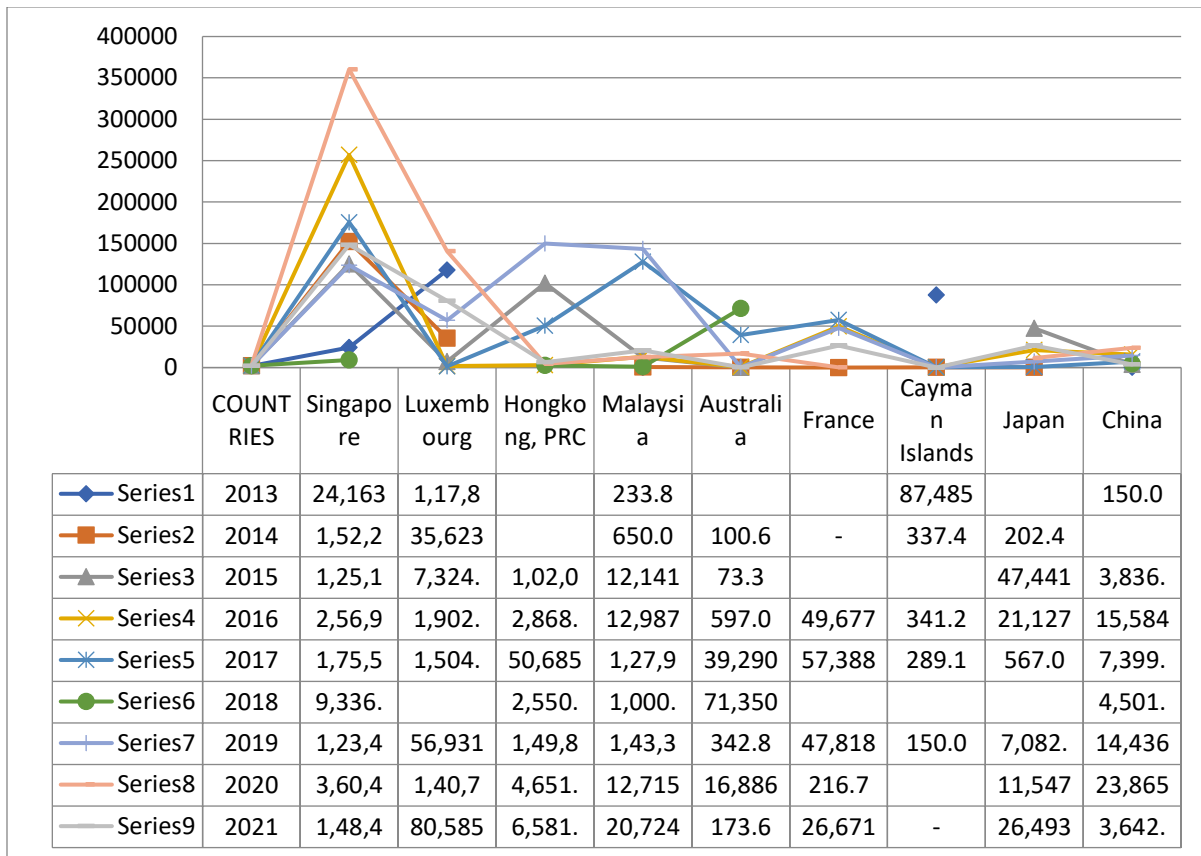
The Riau Archipelago has historical closeness to Singapore, especially in maritime connectivity, so the economic growth of Batam and the Riau Islands is influenced by Singapore (Hutchinson & Country, 2021). The advantages of location and close connectivity to Singapore have made the Riau Islands a province with the most significant industrial area in Indonesia, along with West Java Province, which has the advantage of many human resources with low wages. This province has 49 ports connecting islands, regulating the mobility of goods and people. With a total sea area of 3,675.25 km², Batam has two collector ports, six regional feeders, and one main container port. Batam has become the Main Hub in the Riau Islands,

with the Batu Ampar Free Port as the Main Container International Hub, Kabil Port as the Main Bulk International Hub, and Batam Center Port as the Main International Passenger Hub.

Apart from being a centre for maritime connectivity, Batam is the area with the highest economic growth in the Riau Islands. In 2021 Batam's economic growth will reach 4.75%. This figure is higher than the Riau Islands' economic growth, which reaches 3.43% and national economic growth, which only reaches 3.69%. The solid industrial manufacturing and shipyard industries supported the high economic growth rate. Seen from the 2020 data from the Association of Indonesian Industrial Estates, the most significant number of industrial areas at the Regency level are in Batam City, with 25 Industrial Areas covering 791 companies. Meanwhile, the shipyard Industry in Batam contributes significantly nationally because 56% of the total national shipyard is in Batam.

The number of industrial areas in Batam City must be kept from Singapore's influence. The Batamindo Area, established in 1992 as a cooperative project between Indonesia and Singapore, is inseparable from the historical development of industrial districts in Batam City when examined from that perspective (van Grunsven & Hutchinson, 2017). These industrial areas cannot be separated from foreign investment from Asian countries, especially Singapore. Judging from BP Batam data, Singapore's investment value from 2013-2021 reached 40% of the total foreign investment in Batam, with a total investment value of USD 1,375,699,000 in a total project generated from foreign investment.

Figures1. Top-9 Batam's Source of Investment Based on Investment Value (USD Thousand) 2013-2021



Source: BP Batam, 2022

The development of Batam as one of the industrial centres in the Malacca Strait region increased after Batam was included in the SiJoRi cooperation package in 1994. The SiJoRi collaboration strengthened Singapore's role in developing the manufacturing industry in Batam. The increasing production in the manufacturing industry can be seen from the throughput of container exports through the free port of Batu Ampar. The average export growth in the last ten years has reached 6%, and FOB has reached 3%. Judging from BPS data in 2020, Batam City's most significant export is Non-Oil and Gas exports, with a percentage of 91% of the total export value, while the most significant commodity exports are manufacturing, with a contribution value of 48.97% of Batam's total non-oil and gas exports

(BPS-Batam City, 2020). The magnitude of the influence of the manufacturing industry sector, which is correlated with the PDRB of Batam City, reaches 55.19%. The considerable value of manufactured exports impacts the Gross regional domestic product (GDP).

Unfortunately, even though the Batam port is more than 40 years old, the market share obtained by this port is continuously below 1% of the total market in the Malacca Strait. The worst part of this port is that the government's planning has changed, which has caused the development of this port as an international logistics hub port to stagnate. This problem is the study of this research. In this study, there are three analyzes given the perspective of existing problems. Namely, by looking at the paradox of the superiority of Batam Port and

the facts of port conditions, looking at port planning, and looking at the influence of the international environment.

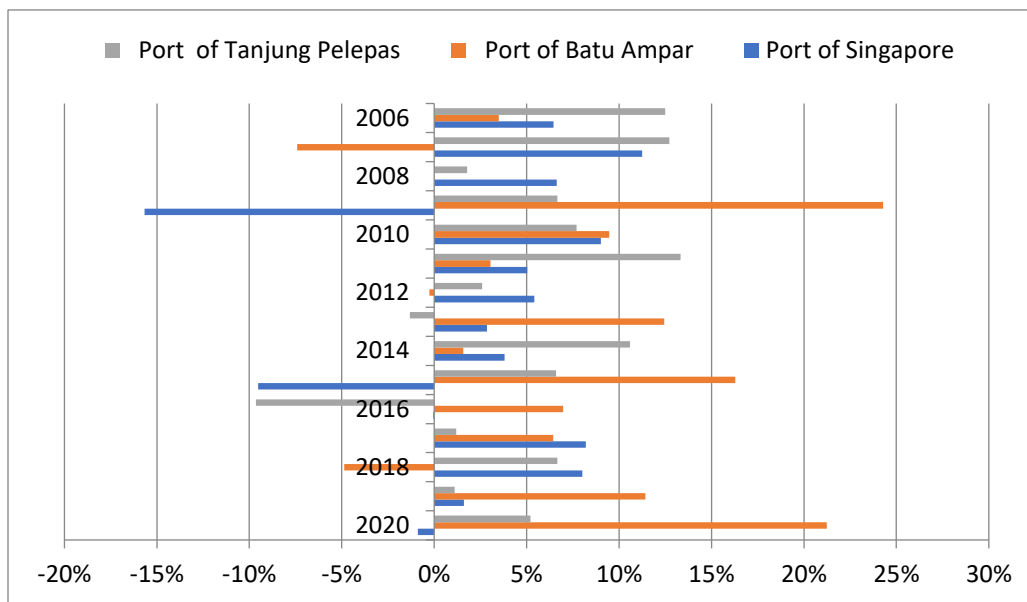
4.1 The paradox of the advantages and actual conditions of Batu Ampar Port

Batam's advantages in the form of a strategic location and support for industrial areas do not necessarily make Batam a competitive port in the Malacca Strait. This is a question where Batam, a member of the SiJoRi collaboration, needs to catch up to Singapore and Malaysia and is even dependent on these two countries. In the SiJoRi regional area, the TEU throughput value of Batam Port is represented by the Main Container Port of Batu Ampar. As a

comparison, the capacity of Batu Ampar Port is only 5% of Tanjung Pejuang Port, even though the Port of Tanjung Pejuang is 30 years younger than the Port of Batu Ampar.

The existence of Batu Ampar Port illustrates dependencies where there are different analyzes of the condition of Batu Ampar Port and how it depends on other SiJoRi member countries such as Singapore and Malaysia. Technically, Batu Ampar has the best growth percentage compared to PSA and PTP with an average growth of 7% from the throughput growth rate in Figure 2. Unfortunately, this average growth is only of small value, which is always below 1 million TEUs.

Figure 2. Percentage of Throughput Growth at SiJoRi Port 2006-2020



Batu Ampar's performance beyond the total throughput can be seen from a sample of 125 ship visits during August 2021. The data processing results show that many tugboat types have the same number of visits as barge types, and tramper routes account for 45% of the total. The route shows a low interest in shipping to visit Batu Ampar. On the other hand, the average ship size only reaches 61 m, with the most significant ship size being 120, while the average weight of ships entering the Batu Ampar free port area is only 142, with the

most significant weight being 6,616 tons. For foreign-flagged ships, only Singapore ships and countries of origin for ships outside Indonesia, only Singapore and Malaysia. Meanwhile, foreign ships only reach the ports of Singapore and Malaysia.

From the flag of the ship, the origin of the ship and the port of destination, it shows that this port level is only at the sub-regional level (SiJoRi). Judging from the efficiency of hours of loading and unloading of goods, the average

loading and unloading of goods reach 28 hours, and the number of vessels with the highest efficiency in this average is the type of tugboat. The location for loading and unloading goods in Batu Ampar is significantly balanced, namely Docking & Mooring 51% and Anchorage 49%. This shows that many ships choose to load and unload when anchored.

The small Throughput value of Batu Ampar is influenced by several aspects, namely Planning Aspects, Regional and National Environmental Aspects. In addition, ships entering the Batu Ampar free port area only come from Singapore and Malaysia. Other foreign vessels only reach the ports of Singapore and Malaysia. The low interest of foreign ships to enter Batu Ampar Port then emphasizes the irony of Batam's dependence on Singapore and Malaysia.

4.2 The Role of Actors in the Planning Governance of Batu Ampar Port

Port planning generally consists of short-term, medium-term, and long-term planning (Dooms & Verbeke, 2006). According to (González Laxe et al., 2016), the key elements for port governance in practice are the institutions, mechanisms, and processes involved. Planning in Batu Ampar is broken down into these three levels. The planning approach is customized to each actor's agenda. The participants in the planning process are representatives from the regional, national, and local governments.

Central and local government actors are directly influential, and regional actors have no direct influence on Batu Ampar planning. However, Batu Ampar's planning is more influenced by the Central Government, namely the President and the Ministry of Transportation. These two institutions have a role as regulators and designers of maritime connectivity in Indonesia. President Suharto was the first to design the Batam port by establishing the Batu Ampar Free Port as an

entrepot area in 1971. For 38 years, this port did not have a clear master plan.

Planning for the Batu Ampar, Free Port began to clear up when the Ministry of Transportation issued the Batam Port Master Plan in 2009. The master plan considered Batam's strategic location close to international shipping lanes and Singapore port, the largest International Hub port in the world. The Central Government planned for Batam to become one of the seaports that would become the gateway for exports and imports to other regions in Indonesia.

Based on this analysis, the vision of the Master Plan going forward is to make Batu Ampar Terminal an international hub port, both as a competitor and complementary to Singapore International Hub Port. (Batam Port Master Plan, 2009). Unfortunately, this vision began to sink when the Government of the Susilo Bambang Yudhoyono Era issued the Acceleration and Expansion of Indonesia's Economic Development 2011-2025, known as MP3EI project. In this project, the Central Government appointed Kuala Tanjung port as an International Hub port in the western part of Indonesia because Kuala Tanjung met the requirements for a Hub port, and also considering that it is located on the east coast of the island of Sumatra.

This appointment was formalized through Minister of Transportation Regulation No. 20 of 2012 with the preparation of short-term, medium-term and long-term plans for Kuala Tanjung as an International Transshipment Port; The determination of Kuala Tanjung as an International Hub port based on the proposal of the state-owned port holding Pelindo I. The Pelindo I involvement in the Kuala Tanjung Port was strengthened by Presidential Decree No. 2018, which gave the task to Pelindo I to build and operate the Kuala Tanjung International Hub Port. Analyzed from the implementation of the 2009 Masterplan for the development of Batu Ampar, it is more about

increasing the capacity of the container terminal.

Table 1. Planning for the Batu Ampar free port in the Batam Port Master Plan 2009

Short Term 2010-2014		Mid Term 2010-2019		Long Term 2010-2019	
Container Terminal Facilities	General Freight Facility	Container Terminal Facilities	General Freight Facility	Container Terminal Facilities	General Freight Facility
Pier 550 m for container ships with 3 units of Panamax Gantry Crane	Wharf 650 m with 10 units of Mobile Shore Cranes and Input Ship Cranes	Pier 800 m for container ships with 5 units of Panamax Gantry Crane	Wharf 650 m with 10 units of Mobile Shore Cranes and Input Ship Cranes	Pier 800 m for container ships with 5 units of Panamax Gantry Crane	Wharf 650 m with 10 units of Mobile Shore Cranes and Input Ship Cranes
Jetty 350 m for container barges with 3 units of Mobile Crane with Spreader		Jetty 350 m for container barges with 3 units of Mobile Crane with Spreader		Jetty 350 m for container barges with 3 units of Mobile Crane with Spreader	
				Pier 1000 m for container transshipment ships with 6 units of Post Panamax Gantry Crane	

Source:(Batam Port Master Plan, 2009)

4.3 Policy for preparing a new master plan for the development of Batu Ampar Port

In 2020, the central government, through the Minister of the Coordinating Ministry for Maritime Affairs and Investment Luhut Binsar Panjaitan, issued a statement to make the Batu Ampar Free Port a pilot green port in Indonesia

that can compete with Singapore so that Indonesia will no longer be harassed about port modernization (Mohammad, Azka, 2020). Unfortunately, the Green Port plan is only discourse and needs to be conceptualized.

In 2020, BP Batam invited IPC Pelindo II, cooperation with Pelindo was carried out

initially through the Hands of Agreement (HoA) Cooperation with PT Pelabuhan Indonesia (Pelindo) on January 7 2020, with the main point of granting concessions to IPC to revitalize Batu Port Ampar. The implementation phase is planned for March 2020 through revitalizing the wharf, container yard, and dredging of the mobile pool. The revitalization aims to increase the capacity of the Batu Ampar free port from 445,240 TEUs to 1 million TEUs. The scheme makes BP Batam the Port Authority and IPC as the Port operator. Unfortunately, this collaboration process was cancelled only one week after the HOA.

This cancellation is closely related to the rejection of the port association in Batam, which does not agree with the takeover of the Batu Ampar free port from BP Batam to IPC, which will make IPC the sole operator and planner in the development of Batu Ampar. After the IPC failed to plan the Batu Ampar development design in 2020, in June 2021, the Deputy for Regional and Spatial Development Coordination at the Coordinating Ministry for Economic Affairs oversees Batam, Bintan and Karimun Regional Council (BBK) and plans to issue a 2020-2020 BBK master plan 2045. The vision of the Masterplan design will make Batu Ampar an International Logistics Hub in the BBK area (Economy, 2021). In fact, until now, the Master Plan has not been completed, so Batu Ampar's big vision as an International Logistics Hub has never been realized in the form of official regulation.

Batu Ampar Port Planning has changed due to the many actors involved, resulting in stagnation in the development process. Under these uncertain circumstances, on July 27 2021, BP Batam, the Agency in charge of being the regulator and operator of Batu Ampar, issued the Batu Ampar master plan 2021-2040. With the New Masterplan, BP Batam Port hopes to reach 1.6 million twenty-foot equivalent units (TEUs) in the container and house ship flows

with a capacity of 3000 TEUS or third-generation vessels for domestic containers by 2025 (Infoials, 2021). In particular, this Masterplan is a development of the 2009 Masterplan. The preparation of the new Masterplan was based on the 2009 Masterplan that triggered the birth of the MP3I and the World Maritime Axis Indonesia Blueprint and the absence of a new Batam Port Masterplan from the Ministry of Transportation. While on the other hand, the Central Government is more focused on the development of Kuala Tanjung. In general, the main objective of this Master Plan is to overcome stagnation in Batu Ampar. In the Master Plan, planning is divided into three, namely Short Term Planning (2021-2025), Medium Term Planning (2026-2030), and Long Term Planning (2031-2040).

In this tiered planning pattern, BP Batam focuses on one sector, namely port development and revitalization, by procuring loading and unloading equipment, land acquisition and road development, pool revitalization, container yard expansion, and development of technology systems in port services. The most significant budget value in budget planning is in Medium Term Planning, with the most significant budget year in 2026, which reaches IDR 3.57 trillion, with the most significant expenditure on the procurement of loading and unloading equipment, valued at IDR 2.96 trillion.

4.4 The Influence of ASEAN Connectivity and GMA in the Batam Port Master Plan

Regional connectivity is diverse, with cross-sectoral connectivity affecting connectivity (Connectivity & Prosperity, 2014). Regional connectivity is influenced by cooperation between countries that integrates and facilitates the regional economy, trade and mobility of goods along the border by making strategic areas transit areas of maritime connectivity (Peace & Vol, 2020). In the regional environment, two actors influence the Batu

Ampar Port development environment: ASEAN and Singapore.

In the development of Batu Ampar Port, these two actors have an indirect role. ASEAN is an actor that associates infrastructure development and maritime connectivity between ASEAN countries. In 2017 ASEAN formalized three Master Plans on ASEAN Connectivity (MPAC) 2025 priority deliverables and the ASEAN Connectivity as a way to implement

this vision (ASEAN, 2018). The goal is strengthening ASEAN's supply chain and logistics performance through capacity building (The ASEAN Secretariat, 2015). From table 2, only Singapore has made it into the top 10 world rankings, while Indonesia and Thailand are only in the top 30, and even Myanmar is ranked 137th. The average LPI index for ASEAN countries shows poor logistics management in ASEAN, especially in the port and intermodal infrastructure.

Table 2. Logistics Performance Index in ASEAN, 2018

Country	Year	LPI Rating	Customs	Infrastructure	International shipments	Logistics competence	Tracking & tracing	Timeliness
Singapore	2018	7	6	6	15	3	8	6
Thailand	2018	32	36	41	25	32	33	28
Vietnam	2018	39	41	47	49	33	34	40
Indonesia	2018	46	62	54	42	44	39	41
Philippines	2018	60	85	67	37	69	57	100
Brunei	2018	80	73	89	113	77	88	80
Lao PDR	2018	82	74	91	85	83	69	117
Cambodia	2018	98	109	130	71	111	111	84
Malaysia	2018	41	43	40	32	36	47	53
Myanmar	2018	137	131	143	144	128	143	108

Source: <https://lpi.worldbank.org/international/global>, 2021

The integration process is related to the planning of the Government of Indonesia, namely the Indonesia Global Maritime Axis (GMA). Indonesia as a member of ASEAN, has a role in planning ASEAN Connectivity. Viewed from the maritime platform, Indonesia has a vision as the world's maritime axis. President Jokowi, through the Vision of the World Maritime Axis, or the Indonesia Global Maritime Axis (GMA), wants Indonesia to return to its nature as a maritime country. Indonesia's position as an archipelagic country in the next few years will face a strategic

environment marked by the increasing complexity of traditional and non-traditional threats that must be faced (Wirawan, 2022).

In the declaration of MPAC and GMA, there are supporting pillars. The pillars of MPAC are physical connectivity, institutional connectivity, and people-to-people connectivity. In contrast, the pillars contained in the GMA are the management of marine resources and human resources; defence, security, law enforcement and safety at sea; governance and institutions at sea; economy, infrastructure, and welfare improvement;

management of sea space and protection of the marine environment; maritime culture; and maritime diplomacy.

There is one pillar that has a link between MPAC and GMA. The pillar is Physical connectivity (MPAC), with the Infrastructure pillar, namely the development of connectivity and logistics. A breakdown into the program, two programs have a close relationship: the seaport infrastructure development at GMA with the integrated multimodal transport system and the integrated maritime transport system at MPAC. At the same time, one program has a relationship. However, it could be more assertive, namely the investment climate program for maritime infrastructure in GMA, by accelerating ASEAN member countries' further investment opening.

In the development of Batu Ampar Port, ASEAN has made Batam part of the integration of regional activities. Before the launch of MPAC in 2012, the ASEAN Connectivity Coordinating Committee (ACCC) visited Batam to make Batam one of the most important projects related to institutional connectivity of ASEAN countries in the development of the ASEAN Single Window (Maria, 2012). Batam was chosen as part of the ASEAN Connectivity Batam pilot project because Batam has geographical proximity to three ASEAN countries so that it can build connectivity for the movement of goods and people from Batam to Malaysia, Singapore and Thailand (Fadli, 2012).

In 2016, ASEAN issued a Final Report on Enhancing ASEAN Connectivity Monitoring and Evaluation, which in this document, Batam became part of the Interconnection Project with Singapore (The ASEAN Secretariat, 2016). Meanwhile, in the GMA, Batu Ampar is only part of the infrastructure development for Sea Highway connectivity which is only on a national scale. Judging from the program of each of these plans, Batam is included in the

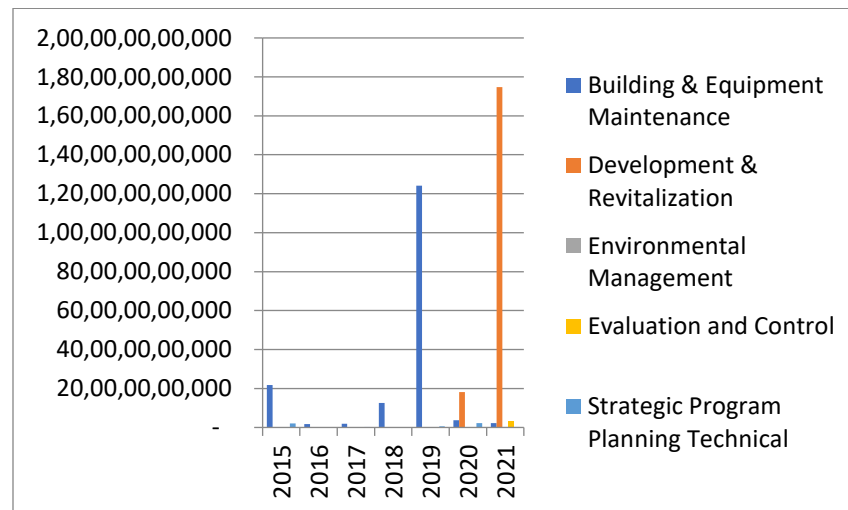
ASEAN connectivity corridor. At the same time, in the GMA, Batam is only a corridor for the strengthening and developing of the Sea Highway, whose level is only on a national scale.

The MPAC blueprint has similarities to Singapore's planning scheme for Batu Ampar. As a party with vital interests in Batam, Singapore uses the SiJoRi agreement, which places Batam as part of its maritime connectivity. This scheme ultimately places the free port of Batu Ampar as a feeder port for the efficiency of Singapore's logistics supply chain (Interview with Walter GM Jurong Port, 2021).

4.5 The small budget for infrastructure development

Seen from realization during the ten years since the issuance of the 2009 master plan, the construction of terminal facilities only occurred in 2014 with the development of a wharf which only reached a total construction area of 707m and procurement of equipment that only four loading and unloading vehicles. Judging from the realization until 2020, the construction of terminal facilities occurred in 2014 with a total construction of 707m, while the procurement of equipment was three forklifts and 4 Constacker Containers. Judging from the plan realization over the past ten years, Batu Ampar's planning is deficient. The low realization is considering the CAPEX obtained is relatively low. For example, the development of the north pier only received IDR 360 billion (Marbun, 2014).

After the development of the northern pier in 2015-2021, Batu Ampar will focus on construction and revitalization on a small scale and maintenance of buildings and equipment. Based on the recapitulation, the total Batu Ampar development budget in that period only reached IDR 370 billion. This relatively small budget has caused the development of Batu Ampar to stagnate without capacity.

Figure 3. Batu Ampar Development Budget 2015-2021 (in IDR)

Source: processed from BP. Batam Data, 2021

4.6 Failed Institutional Transformation.

Institutional capacity can create a network of relationships, overcome cross-cultural barriers, and organize divisions in the distribution of authority (Krishnaveni, 2013). In the management of the Batam Port, BP Batam, as the authority for the Batam Island management agency, forms the Batam Port Management Agency (BUP), which has the capacity of regulator and operator. This agency was formed in 2017. Before the BUP existed, the institution that manages the Port was named the Batam Port Office (Kanpel). This institution combined HR from BP Batam and the Batam Kesyahbandaran Office.

Kanpel structurally has three divisions: the Port Sector, the Port Sector, and the Commercial Sector. These three fields have 11 sections. The head of this institution is always from the Portmaster's Office. With the authority status of the portmaster's authority, the HR assigned to Kanpel feel confident in their duties because they have the legality of the Ministry of Transportation, where this Ministry is trusted by the international maritime organization (IMO) as the Coast Guard (BisnisNews.id, 2021).

Batam Kanpel has a long time in managing the Port of Batam from 1977-2016. After the establishment of BUP Batam, the Kesyahbandaran Office was separated from the management of the Port. However, this institution still plays a role in regulating shipping security and safety. At the beginning of the formation of BUP, the organizational structure was developed from three fields in the Kanpel era to four by releasing Kesyahbandara to KSOP and forming the Finance and Information Technology sector and the general administration sector. These four areas are led by a General Manager (GM) who oversees 13 managers who manage 13 departments.

The Head of BUP is no longer going through the appointment process but through open bidding. In its development, the organizational structure only lasted until 2019 because, in 2020, there was a leadership change through open bidding. This change was because the head of the existing BUP needed to reach the target of revamping Batu Ampar. This change then changed the organizational structure from four fields to two fields: the Passenger Port sector and the Goods Port sector. These two fields oversee five types of departments.

Judging from the total human resources in charge of the BUP, there are 203 working personnel consisting of the leadership, namely one Director, two General Managers, and seven Managers. Departments with the most HR are Operational and Terminal. The transformation of the organizational structure that occurs quickly remains the same culture of the Business Entities. The desire to make business culture a culture at BUP Batam is always hampered because the existing human resources come from civil servants who, by law, do not have a penalty for dismissal if poor performance is obtained.

The total number of HR working in all departments is 186, with the most significant placements in the operational department. In comparison, the most significant type of work is operational. In managing the terminal, the HR used consists of a collaboration of several departments. Terminals managed and supervised by BUP include general terminals, special terminals (Tersus), and passenger terminals. This human resource limitation causes only a few TUKS to be supervised regularly. As a whole, the total number of Tersus reached 94 terminals, while the placement of HR was only nine personnel.

The terminal with the most human resources is in Batu Ampar, with 17 people. With these limited human resources, Batu Ampar can only operate 24 hours. To overcome these limitations, BUP Batam establishes partnerships with loading and unloading companies such as Spill and Persero Batam and several small-scale companies. The involvement of these companies does not improve port performance. This is because the

companies involved only have old and limited equipment.

4.7 Failed tenders

Historically, the Batam Authority, now BP Batam, had negotiated with Evergreen in the 1980s (BJ. Habibie's era), but there was yet to be a continuation. Until finally, Evergreen chose Port of Klang. Subsequently, tenders were held three times, namely in 2003, 2004 and 2005. While in 2019, the tender was not carried out. The companies that won the tender are the Port of Singapore Authority, Hanjin Shipping Co, Samudera Shipping, P & O Port Ltd, International Container Terminal Services Inc and CMA-CGM. For CMA-CGM, the winner of the 2005 tender is up to a letter of intent (LoI) between the Batam Authority and CMA-CGM. However, CMA-CGM surprisingly withdrew from LOL and returned to PSA, and some were diverted to Tanjung Pelepas.

In 2020, BP Batam invited IPC Pelindo II, cooperation with Pelindo was carried out initially through the Hands of Agreement (HoA) Cooperation with PT Pelabuhan Indonesia (Pelindo) on January 7 2020, with the main point of granting concessions to IPC to revitalize Batu Port Ampar. The implementation phase is planned for March 2020 through revitalizing the pier and container yard and dredging of surrounding ponds. The revitalization aims to increase the capacity of the Batu Ampar free port from 445,240 TEUs to 1 million TEUs. The scheme makes BP Batam the Port Authority and IPC as the Port operator. Unfortunately, this collaboration process was cancelled only one week after the HOA (Socrates, 2021).

Table 3. History of strategic partner search planning in developing Batu Ampar

year	2003	2004	2005	2019*	2020
Bid Winner/designated contracting party	Failed	PSA	CMA-CGM	-	Pelindo II

Scheme Agreement	-	concession	concession	-	Consortium
failure factor	-	unclear	term of concession and global economic crisis	-	There were objections from a number of port business associations in Batam which were not included in the planning scheme prepared by Pelindo II

* planned but not implemented

Source: processed data, 2021

5 Conclusion

Batu Ampar Free Port is located in the Malacca Straits area and is over 40 years old, always getting below 1% market share of the total market in the Malacca Straits. The stagnation of port development was initiated by poor regulation of port planning due to changes in stakeholders handling it to dependency on other countries for the incoming flow of international ships. In the end, this causes the failure of institutional transformation and impacts the failure of tender execution. The following points explain how the development of the Batu Ampar Free Port failed.

1. The free port of Batu Ampar is far behind compared to the other two members of the SiJoRi cooperation. The free port of Batu Ampar only gets a profit of around 5% compared to the Port of Tanjung Pejuang, which is 30 years younger. Ships entering the Batu Ampar free port area, which only originate from Singapore and Malaysia, also contributed to the stagnation in the development of the Batu Ampar port. Other foreign vessels only reach the ports of Singapore and Malaysia. The low interest of foreign ships to enter Batu Ampar Port then emphasizes the irony of dependency where there are different analyzes of the condition of the Batu Ampar Free Port and how it depends on other SiJoRi member countries on Singapore and Malaysia.

2. Planning for the Batu Ampar Free Port is divided into three stages according to the agenda of each actor. The actors who play a role in the planning are not singular, but are divided into several actors, starting from the Regional, Central and Local Governments. The influence of changes in planning regulations set by various actors is the leading cause of the stagnation in the development of the Batu Ampar Free Port. President Soeharto designated this port as an entrepot area without a clear master plan for 38 years, and there was clarity in 2009 when the Ministry of Transportation issued the Batam Port Master Plan as an international hub port (Batam Port Master Plan, 2009). Then President Susilo Bambang Yudhoyono issued the MP3EI project, which transferred the status of an international hub port to the Port of Kuala Tanjung so that the Port of Batu Ampar was developed into a container terminal. The planning of the Batu Ampar Free Port, which involved many actors, led to an uncertain situation regarding the status and stagnation of port development. In response to this, BP Batam, the regulator and operator, issued the Batu Ampar master plan 2021-2040 (Infoials, 2021).

3. Two international actors play an indirect role in connecting the Batu Ampar Free Port regional environment, namely ASEAN and Singapore. In 2017 ASEAN formalized

three Master Plans on ASEAN Connectivity (MPAC) 2025 priority deliverables and the ASEAN Connectivity as a way to implement this vision (ASEAN, 2018). In 2012, before the launch of the MPAC, the ASEAN Connectivity Coordinating Committee (ACCC) visited Batam as a step to make Batam one of the most important projects related to the institutional connectivity of ASEAN countries in the development of the ASEAN Single Window (Maria, 2012). Batam was chosen as part of the ASEAN Connectivity Batam pilot project because Batam has geographical proximity to three ASEAN countries so that it can build connectivity for the movement of goods and people from Batam to Malaysia, Singapore and Thailand (Fadli, 2012). The MPAC blueprint has similarities to Singapore's planning scheme for Batu Ampar. As a party with vital interests in Batam, Singapore uses the SiJoRi agreement, which places Batam as part of its maritime connectivity. This scheme ultimately places the free port of Batu Ampar as a feeder port for the efficiency of Singapore's logistics supply chain (Interview with Walter GM Jurong Port, 2021).

4. Seen from realization during the ten years of operation since the issuance of the 2009 master plan, the construction of terminal facilities only occurred in 2014 with the development of a wharf which only reached a total construction area of 707m, and procurement of equipment which only four loading and unloading vehicles. After the development of the north pier in 2015-2021, the development of Batu Ampar will focus on construction and revitalization on a small scale and maintenance of buildings and equipment. Based on the recapitulation of the total Batu Ampar Development budget in that period, it only reached IDR 370 billion. This relatively small budget has caused the development of Batu Ampar to stagnate without capacity.

5. In the management of the Batam Port, BP Batam, as the authority for the Batam Island

management agency formed Batam Port Management Agency (BUP) which has the capacity as regulator and operator in 2017. The total number of HR working in all departments is only 186, with the most considerable portion of HR placement located in the operational department. This human resource limitation causes only a few TUKS to be supervised regularly. As a whole, the total number of Tersus reached 94 terminals, while the placement of HR was only nine personnel. The terminal with the most human resources is in Batu Ampar, with 17 people. With limited human resources, Batu Ampar can only operate for 24 hours. To overcome these limitations, BUP Batam establishes partnerships with loading and unloading companies such as Spill and Persero Batam and several small-scale companies. The involvement of these companies does not improve port performance,

6. Historically, the Batam Authority Agency, now BP Batam, had negotiated a tender with Evergreen in the 1980s (BJ. Habibie's era), but there was no continuation. Until finally, Evergreen chose Port of Klang. In 2020, BP Batam invited IPC Pelindo II, cooperation with Pelindo was carried out initially through the Hands of Agreement (HoA) Cooperation with PT Pelabuhan Indonesia (Pelindo) on January 7 2020, with the main point of granting concessions to IPC to revitalize Batuampar Port. Unfortunately, this collaboration process was cancelled only one week after the HOA. This cancellation is closely related to the rejection by the Port Association in Batam, which does not agree with the takeover of the free port of Batu Ampar to IPC (Socrates, 2021).

This study examines the problems of developing the free port of Batam, which is in the Malacca Strait area. The focus of this problem is on the failure of the transformation of the free port of Batu Ampar in the competitive environment of the international port regime. The main goal of port governance

is to improve the facility's performance by establishing an appropriate management model to achieve the expected goals. It is just that in the case of the Batu Ampar Free Port, the change of various stakeholders who set regulations became the leading cause of the stagnant development of the Batu Ampar Free Port.

Batu Ampar needs support from all actors in the political regime to transform it into a competitive free port in the Malacca Strait region. The policies recommended in this study include serious and consistent planning aspects that focus on port hierarchy support and integration of hinterland ports (regional feeder and collection ports). Integration in the sense of making the free port of Batu Ampar the single export port on the east coast of the island of Sumatra.

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