

kompetisia

Newsletter on Indonesian competition law and policy



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competition law and policy

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Tender Conspiracy on Fire Extinguisher Procurement in Balikpapan Municipal

Two business actors expressed guilty in procurement of fire extinguisher in municipal government of Balikpapan, one of main business town in Indonesia. Both business actors are Wijaya Kusuma, Ltd. and Tesa Prima Perkasa, Ltd. In this case which also entangled the Bid Organizer, it found that both business actors has made collusion with the Bid Organizer and specifies Wijaya Kusuma, Ltd. as the tender winner.

Various efforts is conducted by the Bid Organizer to facilitate triumph to Wijaya Kusuma, that is by fixing owner estimate which far from actual market price and applying false application in procurement documents.

Hereinafter in the examination and before imposing sanction, KPPU also considers that Wijaya Kusuma, Ltd. and Tesa Prima Perkasa, Ltd is business actors grouped or classified as small business actor based on the Law No. 20/2008 concerning Micro, Small, and Middle Business Activity. This caused both the business perpetrators exempted from the application of the Law No. 5/1999. However, KPPU still have a notion that endeavor and action of collusion to arrange tender winner is one of activity prohibited in the Law No. 5/1999, because can impede competition

and harms public interest. Under this condition, Commission Council remains to authorize expression in making decision on business actor to collision of the Law No. 5/1999. Particularly because Wijaya Kusuma, Ltd. and Tesa Prima Perkasa, Ltd. after summoned properly by Examination Team, have never attended the call, and does not give verbal or written description in the Follow-up Examination.

After series of examinations taken during six-months, KPPU express two things in its decision, that were be a sanction fallout to two business actors and applying recommendation to Major of Balikpapan. Sanction given to business actors was in the form of prohibition to business actor in taking part for following procurement in the municipal government of Balikpapan for one year.

From competition advocacy side, KPPU recommends Major of Balikpapan to give administrative sanction to Bid Organizer, and recommends Indonesian Supervisory Borad on Finance and Development and Attorney's Office of Balikpapan to do inspection on this case that harming the state.

... Various efforts is conducted by the Bid Organizer to facilitate triumph to Wijaya Kusuma, that is by fixing owner estimate which far from actual market price and applying false application in procurement documents...

Tender Conspiracy on Educational Building Development for Medan Health Polytechnic

...KPPU finds that there has been a collaborative action through borrowing of corporate name to follow a procurement...

Ten reported expressed guilty impeding section 22 Law No. 5/1999 on tender collusion in development of education building for Health Polytechnic of Medan. Out of ten reported parties, four of which are individual business actors and one of which is Bid Organizer. Ninth of business actors involved are Care Indonusa, Corp., Purbolinggo, Ltd., Nagasaki, Ltd., Indonesia Medium, Ltd., Sun, Ltd., Mr. Patient of Situngkir, Mr. Ferry Marpanung, Mr. Young Aye Nehe, and Mr. Harris Aritonang.

In its examination, KPPU finds that there has been a collaborative action through borrowing of corporate name to follow a procurement. In this case, Mr. Ferry Marpanung works along with Mr. Young Aye Nehe and Mr. Harris Aritonang has borrowed corporate name, Care Indonusa, Corp., to follow procurement for educational building development of Medan Health Polytechnic. To water down taking part in the procurement, Mr. Young Aye Nehe entered as a Vice Director Care Indonusa, Corp. In Cooperation Contract between Care Indonusa, Corp. and Mr. Young Aye Nehe, the entry of Mr. Young Aye Nehe as a Vice Director is aimed in executing and finalizing development of education building for Medan Health Polytechnic. Care Indonusa, Corp. itself receives certain fee in the process of borrowing corporate name. Hereinafter, the three individual works along to assemble Care Indonusa, Corp. as the tender winner.

Related to process of procurement, it being found that the Bid Organizer do not make any evaluation on offer documents to all bid participants. Bid Organizer also has given highest score on the experience of Care Indonusa, Corp., causing is proposed to become bid winner. Despite that Care Indonusa, Corp. does not have some experiences, employee, and

equipments mentioned in procurement document. This condition indicates that Bid Organizer has given special treatment to Care Indonusa, Corp.

Other than abovementioned behavior, KPPU also finds that there were various adjustment efforts of documents between business actors. This showed by the equality of procurement document between Purbolinggo, Ltd., Nagasaki, Ltd., Media Indonesia, Ltd., and Sang Surya, Ltd., especially in the case of appreciation on scope and work which will be executed, exercise method and engineering specification, management of time control and innovation to quickens work exercise and writing format and equality of main equipments catalog. Equality of the provided document gives evidence of the existence of sham competition between them in following the procurement.

In the end, according to the Commission duty as referred to Section 35 letters e Law No. 5/1999, hence KPPU through its decision read on 15 October 2008 recommending direct supervision and/or official functionary to drop administrative sanction to Bid Organizer according to applied regulations. With regard to the involved business actors, especially under circumstance where they never fulfilled calls from Examination Team, KPPU decided to impose fine to Care Indonusa, Corp. with amount of Rp. 100.000.000 and Rp 250.000.000 accounted altogether by Mr. Ferry Marpaung, Mr. Young Aye Nehe, and Mr. Harris Aritonang. KPPU also prohibits Purbolinggo, Ltd., Nagasaki, Ltd., Media Indonesia, Ltd., and Sang Surya, Ltd. to enter procurement in all municipal government of Medan for 1 (one) year.

Allegation on Tender Conspiracy in Procurement of Six unit of Gamma Ray Container Scanner in Directorate General of Custom

KPPU has finalized examination on six reported parties in suspect violation of section 22 Law No. 5 The year 1999 in procurement of six units of Gamma Ray Scanner in Directorate General of Custom. The six reported parties are Putrindo Adiyasa Perkasa, Corp., Learnit Teknologi, Corp., IPS Marketing Resources (Singapore) Pte. Ltd., Mr. Achmad Budiyo, Mr. Djuneidy Djusan, and Bid Organizer.

The allegation emerges due to finding by Examination Team on indications of collusion between reported parties and Bid Organizer. Neverthe-

less, Commission Council led by Commissioner Dedie S. Martadisastra assessed that there was no existence of strong evidences that expressed reported parties to collude of either in vertical and also horizontal way and or impinges section 22 Law No. 5 The year 1999. The case was finally covered with releasing the reported parties from the accusation of competition law. Moreover, KPPU gives recommendation to Directorate General of Custom to consider basic and capital ability in procurement of goods and or services with a significant value.

...The case was finally covered with releasing the reported parties from the accusation of competition law...

Tender Conspiracy on Procurement of Medical and Birth Control Devices, Intensive Care Unit, and Radiology for Prof. Dr. Sulianti Saroso Hospital

Seven bid participants for procurement of medical and birth control devices, intensive care unit, and radiology for Prof Dr. Sulianti Saroso Hospital expressed to impede section 22 Law No. 5/1999. The seven companies are Anen Jaya, Ltd., Darmakusumah, Ltd., Centranusa Widya Pratama, Ltd., Excel Elkendo, Ltd., Landaru Persada, Ltd., Bumi Swarga Loka, Ltd., and Srikandi Sakti, Ltd.

The allegation was strengthened after finding of collusion evidence between Anen Jaya, Ltd., Darmakusumah, Ltd., and Centranusa Widya Pratama, Ltd., with Excel Elkendo, Ltd., Landaru Persada, Ltd., Bumi Swarga Loka, Ltd., and Srikandi Sakti, Ltd. in the form of collaboration

for offer documents. Moreover, Examination Team also finds the existence of involvement by the Bid Organizer in the collusion.

From the evidence, hence Commission Council led by Commissioner Erwin Syahril decided that the seven companies along with the Bid Organizer were proved guilty to breached section 22 of the Law No. 5/1999. The seven business actors were fined which accounted altogether for Rp. 1,205,000,000 and banned their participation for other procurement on the respective hospital for two years.

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KPPU's Dialogue with Local Government of East Java

...the differentiation in characteristic of local government's regulation and the Law No. 5/1999 acknowledged not as an obstacle for KPPU in enforcing competition law...

KPPU has established a dialogue with Head Offices of Local Government in East Java on 21 October 2008 for creating healthy competition in local government's policies. The forum that enacted in form of socialization of the Law No. 5/1999 was led by Commissioner Dr. Sukarmi to review benefit and objective of Indonesian competition law, which incorporated with regulatory impact analysis. The substance was aimed to create better understanding for policy maker in harmonizing Indonesian competition law with other relevant regulations.

In her presentation, Commissioner Dr. Sukarmi shared that KPPU in the implementation of competition law always taking into consideration local government's regulation. Nevertheless, the differentiation in character-

istic of local government's regulation and the Law No. 5/1999 acknowledged not as an obstacle for KPPU in enforcing competition law, because this effort shall be balanced with a harmonization with respective local regulations.

Several ways were implemented to internalize competition law and policy to each stakeholder, namely socialization of competition value, basic understanding on Indonesian competition law, and training on competition law. The objective was focused on policy maker and local government as an overseer for regional policies. This dialogue was hoped to give a positive contribution for the creation of healthy and fair competition in Indonesia.

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International Activities

6th Joint Committee – ASEAN-EU FTA, 13–17 October 2008

Active contribution by KPPU in bilateral negotiation and regional agreement amongst Indonesian government and other countries has become one activity in revealing KPPU's existence in international forum, especially in developing international competition law and policy. At series of meeting for the 6th Joint Committee – ASEAN-European Union Free Trade Agreement held in Hanoi, Vietnam on 13–17 October 2008, KPPU takes part in competition policy chapter on the agreement. This chapter was discussed in plenary Joint Committee without the preliminary meeting, ASEAN Caucus. During discussion, European Union delegation highlighted the need for chapter on competition policy as part of the ASEAN Europe Free Trade Agreement. Moreover, this chapter shall consider the variety of competition nature in ASEAN. Therefore, in facilitating competition policy chapter in the agreement, the committee concluded the need for prior consultation with the ASEAN Expert Group on Competition (AEGC) as a single and formal regional workgroup on competition policy in ASEAN. This meeting will be held inline with the upcoming Joint Committee meeting.

Special Training Course of Chinese Taipei Fair Trade Commission (CTFTC) for KPPU, 12-18 October 2008

As part of our commitment to create a strong and credible competition agency, KPPU always consistently increase the capacity of their human resources through trainings in competition issues or others needed to develop the institution. One way to conduct this training is through tech-

nical assistance by develop competition agency, namely Chinese Taipei Fair Trade Commission (CTFTC). KPPU and CTFTC cooperation in capacity building has been established for two years and focused in providing custom made training that suit KPPU's needs. The previous training course took place in Taiwan on 12-18 October 2008. Several topics were raised in this custom made training course, namely merger regulation and practice in Chinese Taipei, advocacy effort to increase public awareness and maintaining cooperation between competition agency and the Parliament or other institutions, and case study in oil and gas sector. This training also performed visit to Bureau of Energy, MOEA and Chinese Petroleum Corporation Taipei. This cooperation is expected to be a continuous program where KPPU could learn best practices and adopt it for better implementation of competition law and policy enforcement in Indonesia.

OECD Competition Committee Meeting, 20–23 October 2008

In 20-23 October 2008, KPPU was actively participating in the series of meeting by OECD Competition Committee held in OECD Hearquarter Paris. This contribution was one of our commitments as a regular observer in the prestigious international organization. KPPU also submit and share its written contribution to share Indonesian experiences in unbundling retail gasoline market as well as treatments on monopsony and buyer power based on Indonesian competition law.

Monopsony and Buyer Power

Indonesian submission for the OECD Competition Committee Meeting, October 2008

Lately, retail industry developed inline with changes in society. The increase of society income had caused segmented consumer that want changes in retail industry management...

Development of Indonesian retail market

Issues on buyer power known as a major issue felt in Indonesian retailing market. The phenomenon involved with the rapid growth of Indonesian retail market, specifically on modern retailer with huge capital and financial ability. However, even though contribution by modern retailer on Indonesian retail growth significant to the consumer, modern retailer also put into discussion further problems in the existence of pressure to small retailer by modern retailer with huge capital ability.

Lately, retail industry developed inline with changes in society. The increase of society income had caused segmented consumer that want changes in retail industry management. Taken into account the history of Indonesian retail market, the availability of goods is the main indicator of a retail industry (especially traditional market) to be visited by the consumer. Currently this indicator can not be beneficial without additional facilities, such as cleanliness, conformability, security, and company image that being implant into consumer's sight (cheap price, good image, and other). The trend is inevitable in Indonesian retail market.

With strategic position and facilities that able to satisfy consumer, modern retail development has become a large market power and affect distribution side, especially middle and small supplier. Supplier becomes dependable to them. Considering the development of intense competition between suppliers, thus big retailers are blessed with ability to abuse its dominant position. They began to implement several specifications that lead to certain trading term. Even in its development, the trading term has become part of income for the modern retailer.

Indonesian competition authority traced within Carrefour Indonesia's case showed that this retailer in year 2004 had reached other income until Rp 40.19 billion. Income from listing fee is the biggest, up until Rp 25.68 billion. Minus margin was placed second with amount of Rp 1.98 billion, while the rest are Rp 12.53 billion came from other trading terms.

Carrefour case

The only case handled by Indonesian competition agency on buyer power was the Carrefour case. This case occurred due to the implementation of minus margin by Carrefour that was intended to create a condition in which the selling price of Car-

Number of traditional and modern store in Indonesia			
Store format	Year 2007	Year 2006	Year 2005
Hypermarket	121	105	83
Wholesale	26	26	24
Supermarket	1,379	1,311	1,141
Small (mini) market	8,889	7,356	6,465
Convenience store	148	120	115
Traditional store	1,900,332	1,846,752	1,787,897

refour's competitor would not be lower than that of Carrefour. This minus margin term has indirectly resulted in the blockage of consumer access to buy product with competitive price in the relevant market. Some dealers were discontinuing their supplies to Carrefour's competitor selling product in lower price than that of Carrefour, because afraid of being sanctioned on minus margin term.

Based on investigation, this behavior has caused significant impacts, in which competitor was unable to sell the same product. Stock product of competitor is getting less; hence reduce the consumers option in buying a product. Based on aforementioned, it can be concluded that Carrefour act of implementing the minus margin term has potential of preventing its competitor from doing business in the relevant market. The minus margin term implemented by Carrefour constitute Carrefour's act in burdening the dealer for loss competition risk, namely when selling price of the competitor is lower than that of Carrefour. Hence, the minus margin term which was implemented by Carrefour to the dealer given that the competitor sold a product in lower price than that of sold by Carrefour, constituted an unfair act since the Carrefour has troubled the dealer with something beyond its authority. The minus margin term has disturbed business relation between the dealer and the Carrefour's competitor. The minus margin term also has indirectly intended to maintain the selling price of product in vendors of the competitor, so that the selling price would not be lower than that of sold in vendors of Carrefour.

Therefore in its decision, Indonesian competition agency stipulated that Carrefour's behavior violated Article 19 of Indonesian competition law (Law No. 5/1999). This article stated that "business actor shall be prohibited from engaging in one or more activities, either individually or jointly

with other business actor, which may result in monopolistic practices and or unfair business competition, in the following form: (a) reject and or impede certain other business actors from conducting the same business activities in the relevant market". In this circumstance, Indonesian competition agency analyzed that the impact of Carrefour's market power had created an abuse of bargaining position. However due to the lack of specific regulation on bargaining position, then this behavior also involved with abuse of dominant position banned by Law No. 5/1999.

Buyer power in Indonesia

Buyer power can be defined as ability possess in buying transaction. The monopsony in the Law No. 5/1999 is defined according to article 18 of the Law, which is the limitation to control supply or become a single buyer on certain good or service in relevant market that can create monopolistic practices and unfair business competition. So does the oligopoly power regulated in article 13 of the Law No. 5/1999 that specified on agreement with other business actor jointly to control purchase or supply and thus will control price of goods and or services in relevant market which will caused monopolistic practices and unfair business competition.

Based on aforementioned stipulation, it can be concluded that the main focus of buyer power in Indonesia is their ability to create market power and thus will potentially create monopolistic practices and unfair business competition.

Business actor in the position to exercise its monopsony power (as well as monopoly power) if the respective business actor equipped with market power that can be explain through their sales shares, entry barrier, number of outlet, number of selling space, strategic location, the availability of sales good or supply,

...The monopsony in the Law No. 5/1999 is defined according to article 18 of the Law, which is the limitation to control supply or become a single buyer on certain good or service in relevant market that can create monopolistic practices and unfair business competition. ...

...impact showed that with strength bargains power owned by retailer (Carrefour) can make is stipulation causing supplier can not supply the same goods with lower price to Carrefour's competitor, thus as a result, circulation of goods became limited and only can be met in Carrefour...

and its buying power from consumer and supplier side.

What intended as relevant market in identifying strength of monopsony is identification of market based on from substitution and geographic side. For measurement of relevant market geographically for grocery is by specifying location, supermarket size, and shopping pattern in the area. And is required calculation how consumer to make a movement between shops to fulfill requirement of its household. It is also considered average travel distance average when she/he forms definition of geographic market for weekly shopping at one particular area.

Impact of abuse of monopsony power can analyzed at the price and other effect. At case which has been handled by KPPU, this impact showed that with strength bargains power owned by retailer (Carrefour) can make is stipulation causing supplier can not supply the same goods with lower price to Carrefour's competitor, thus as a result, circulation of goods became limited and only can be met in Carrefour. This take affect at consumer level where consumer only can buy the product at Carrefour's price.

Supplier's position in this case incapable of making choice and only focused at distribution to Carrefour with thin margin value. As a result,

the price made static with price in Carrefour, though it is not impossible with high number of purchase or any trade strategy differ from Carrefour's competitor to Carrefour's supplier causes price can make a move dynamic.

In supplier perspective, retailer is key distribution to win competition. To leave them is much the same to exit from market. Binding sanction and limited margin given by Carrefour had caused supplier did not get incentives to do innovation and also value addition at its product. Even now every corner in the retailer's place can provide potency for earnings. So today, some retailer is not only focus at selling goods to consumer, but also focus at selling their business spaces to supplier. At the same time, in fact, consumer is not guaranteed enjoy efficiency by producers/suppliers because some portion of it has been transferred to retailer's profit.

One thing needs to be observed and become attention from competition policy is, if in relation between supplier and retailer, there are:

- Retailers become dominant and lead to cartel and or oligopoly by burdening cost on the supplier.
- Dominant retailer is able to depress supplier causing tight space for price movement and narrowed choice for consumer in the future.

Retailer	2004	2005	2006	2007
Carrefour	14.22%	16.72%	17.66%	19.63%
Matahari	5.03%	7.03%	8.99%	9.47%
Hero	12.21%	11.79%	11.11%	10.73%
Mutiara	1.71%	0.66%	0.22%	
Alfa	10.82%	9.30%	8.51%	7.22%
Makro	6.72%	6.31%	5.84%	5.45%
Goro	0.37%	0.33%	0.29%	0.25%
Inti	3.62%	3.26%	2.93%	2.72%
Lion	5.05%	3.24%	3.02%	3.07%
Macan Yaohan	0.86%	0.88%	0.88%	0.86%
Mitra	0.45%	0.35%	0.31%	0.25%
Metro	0.08%	0.03%	0.03%	0.03%
Others (75 outlet)	38.88%	40.11%	40.21%	40.11%

- Vertical restraint that force supplier not to distribute its goods to the competitor.
- Horizontal merger where market power is bigger and causes obstacles in (for example of merger between Carrefour and Alpha Retailindo, another Indonesia's retailer).

These conditions are stressed in law enforcement on buyer power.

In merger Issue between Carrefour and Alpha Retailindo, position of Carrefour hypermarket has identified with the biggest market share, does merger with Alfa Retailindo having

hypermarket and supermarket format with composition of market share showed by the aforementioned table.

Alfa Retailindo has 29 supermarkets in all Indonesia, and Carrefour has number of outlet 37 hypermarket nationally. With the existence of merger, Carrefour gain strength and had impact at position of supplier. At this case, KPPU focus its investigation on the impact of this merger.

The rationales for and against vertical unbundling of retail gasoline outlets

Indonesian submission for the OECD Competition Committee Meeting, October 2008

Downstream oil and gas industry is one of a real developed industry and becomes one of main sector which necessary for public interest. Growth of downstream oil and gas sector in Indonesia was hardly influenced by alteration of changes in oil and gas policy from monopolistic structure toward competition. The alteration was hardly clearly seen at the Law No. 22/2001 concerning Oil and Gas (which replacing the Law No. 8/1971), which open of the role of and private sector in this industry. Form of alteration also happened in the form of more assertive classification between function of the Government (policy maker); regulator; and business actor, resolving of business chain to some business activities (unbundling) and liberalization of downstream oil and gas sector.

Related to resolving of business activity, in article 10 of the Law No. 22/2001 expressed that business institution doing an upstream activity is prohibited to does downstream

business and vice versa, but there is no rule to do segregate in different downstream business. The Law No. 22/2001 explains about coverage of downstream business activity in article 5 of the Law No. 22/2001 which include efforts for processing (fabrication), transportation, storage, and commercial. Processing is purifies activities, obtains parts, heightens quality, and heightens added value of Petroleum and/or Natural Gas, but not be including field processing. Transportation is inducement activity of Petroleum, Natural Gas, and/or its processing result from work area or from place of relocation and mixing, including transportation of natural gas through transmission pipe and shelf distribution. Storage is receiving, gathering, relocation, and disbursement activity of petroleum and/or oil and gas. Commercial is purchasing activity, sale, export, import and/or result of its processing, including commercialization of natural gas through pipes.

...business institution doing an upstream activity is prohibited to does downstream business and vice versa, but there is no rule to do segregate in different downstream business...

There is no demarcation order implemented in accessing facility from incumbent operator as long as it's remain to pays attention to economic and technical aspect of the business actors. ...

In practice, there are four permits released by government based on Article 23 of the Law No. 22/2001. The permits are for processing, forwarding agent, storage, and commercial. Every business body can be given multiple permit as long not be against applied law and regulation. This identifies that there are no demarcation for vertical integration in downstream business. To make a picture is the processing factory owned by Pertamina, Corp. as state-owned enterprises and national business actor. Number of its factories in Indonesia are 6 (six) factories with total capacity of 1030 MBOPD (thousand barrels per day). While number of permit for storage is 23 permits, 44 permits for forwarding agent, 14 permits for public commercial, and 36 permits for limited commercial. Amongst business actors, only Pertamina, Corp. is conducted vertical integration from processing, storage, transportation and commercial. This occurs due to Pertamina's representation of the Government while at the same time as single business actor before the implementation of the Law No. 22/2001. Pertamina also at the same time stands as owner of national oil and gas infrastructure.

Ever since the implementation of the Law No. 22/2001, downstream business activity is dominated by Pertamina Corp., so that transportation operator and shelf distribution is part of the company. But since the implementation of the Law No. 22/2001, the downstream business actors is free to choose distributor line that is bring advantage to them by using rent mechanism. For example Aneka Kimia Raya Corp. who obtains supply for its petroleum through import. Then for transportation and storage has been owned by itself. Aneka Kimia Raya Corp. has not owned commercial facility (gas station) because their petroleum only sold for industrial purpose. Another example is Shell and Petronas. Both of them supplies petroleum from Pertamina

and their factories. For transportation and storage, both are still doing rent mechanism, while their petroleum is sold to the consumer through their own gas station.

In doing business transaction between processing, storage, transportation and commercial is done based on condition of business to business. There is no demarcation order implemented in accessing facility from incumbent operator as long as it's remain to pays attention to economic and technical aspect of the business actors. Independent distributor can access incumbent's facility given that agreed by both parties. Until now there has not any case (dispute) between business actor in processing, storage, transportation and commercial. Problems rose on price discrimination and service are finalized between both cooperative business entities. From regulation side, there is no specific order about commerce between distributions lines of commodity exchange incorporated. But, in the existence of anti competitive behavior in the distribution line, hence business actor can report this to KPPU.

At retail gas station side, there are three type of systems implemented, namely Company Own Dealer Operated (CODO), Company Own Company Operated (COCO) and Dealer Own Dealer Operated (DODO). Common cooperation form is done where 98% owned by other business actor (dealer), although still tied contract with Pertamina. Along with the opening downstream market, there is other business actor entering in oil and gas retailing, such as Shell and Petronas, by developing Company Own Dealer Operated (CODO) system. To anticipate this, now there is new operating system from Pertamina, namely COCO (Company Own Company Operate) system.

With the existence of new system directly handled by Pertamina, hence oil supply prioritized on COCO gas

station compared to DODO gas station which contracting with Pertamina. Specifically for gas station partnership, contract between gas station entrepreneurs with Pertamina is form of long-range contract (25 years). The contract meant as certainty of supply from Pertamina to the gas station. Besides, COCO gas station as one of Pertamina's business unit is being given amenity with antecedent of supply, postponement of payment time to Pertamina, and equipped with complete gas station facility (such as car-wash, ATM, tune-up, mini market, and other). In this case, competition between COCO and DODO gas station is merely competition on service, quality, and order. Then in the guideline of Downstream Oil and Gas Regulator, it was determined that private business actor that build a gas station with COCO, CODO and also DODO schemes, the maximum number of COCO gas station is 20% amongst cooperated SPBU.

Price fixing in gas station is price which has been specified by the Government especially for subsidized petroleum retailing. For non subsidized petroleum retailing, the price was specified by business actor for by keeping abreast of international market price.

Competition is more determined from service activities side and quality for end customer. But with international price always rising, the competition tends to occur far beyond prediction. Now only there are three business actors for retail petroleum, namely

Pertamina, Shell and Petronas. In one sides, this will enrich competition at service level, quality, and offered price at customer level. However, competition has not fully is enjoyed by Indonesian consumer, because 70% petroleum consumption is for type subsidized petroleum. Meanwhile, business actor distributing subsidized petroleum is only Pertamina.

Now there is no specific research in analyzing impact of form of unbundling in downstream oil and gas. Economically, vertical bundling gives efficiency to business actor in doing business for downstream side, because can reduce transaction cost, and arranges coordination and better delivery. This is because the sold product priced by the Government (especially for subsidized petroleum), thus this reason used by Pertamina as incumbent and dominant player. For new entrance like Shell and Petronas, form of chosen unbundling is selected by considering limited trading amounts (non subsidized petroleum), so that will consume numerous cost if they must have their own facility for processing, storage, and transportation in Indonesia. But, with large number of business actor and in existence of resistances in accessing facility, hence either form of bundling and also unbundling does not give significant influence good to consumer, considering consumer price that tend to inelastic.

...Price fixing in gas station is price which has been specified by the Government especially for subsidized petroleum retailing...

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