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# RSIS COMMENTARIES

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## **Indonesia's Low Cost Green Car: More traffic congestion, less public transport**

By Keoni Indrabayu Marzuki

### **Synopsis**

*Indonesia's policy to promote the Low Cost Green Car has been criticised by the Jakarta Governor as undermining the city's push for more use of public transport. As more road users switch to LCGC greater traffic congestion is likely in the larger cities.*

### **Commentary**

INDONESIA HAS embarked on a Low Cost Green Car (LCGC) project with the launch of two Japanese-aided automotive products. The central government believes the LCGC would boost the domestic automotive industry and exports while regulations ensure that the green car will be affordable for Indonesia's rising middle-income households and provide better fuel economy and reduce carbon emissions. However the Governor of Jakarta, Joko Widodo, has maintained that LCGC will increase the number of cars on the road, aggravating traffic congestion in the capital and other large cities.

### **Fallen out of favour**

Efforts to kick start Jakarta's mass rapid transportation may be undermined by the launch of LCGC as current government regulations provide huge incentives for the public to purchase LCGC. The relatively affordable price of LCGC promises that those with more disposable incomes could purchase more cars. Projections suggest that the number of passenger vehicles in Indonesia is likely to increase by 7.6 per cent this year, to 840,000 units.

In the LCGC market alone, distributors have estimated that 80,000 vehicles will be sold in 2013. In Jakarta and other big cities, LCGCs will definitely exacerbate traffic congestion as motorcycle and public transport users shift to LCGC.

The divergence of views between the central government and provincial government on LCGC highlight a common fact - that the public is likely to rely on private transportation if the public transportation issue is not handled properly. Unreliable, unsafe, and most of the time un-roadworthy, public transportation provides the impetus for the public to use private transportation.

Lack of security, ranging from pick-pocketing to sexual assault on public transportation, are additional reasons why private transportation will be the preferred option for Indonesians. Though showing signs of improvement

with the implementation of e-ticketing and range-based fare system public transportation is in a dire state.

### **Industry, fuel economy and environment**

Though it may hamper public transportation initiatives, the LCGC, it is argued, will provide more opportunity for the automotive industry; it is predicted that LCGC could generate about 300,000 new jobs within the sector. Besides the ripple effect in increasing the number of subsidiaries and automotive-related business, the LCGC could increase exports for national products, including automotive products, to range from 12 to 20 per cent, which may alleviate the current slump in Indonesia's imports-export balance.

The most appealing aspect of LCGC is the impact on the environment with its greater fuel economy. Theoretically, LCGC generates less carbon emission and consumes less fuel compared to other combustion engine cars. The regulation set by the Ministry of Industry in early July has standardised the minimum fuel consumption rate of LCGC at 20 kilometres per litre. This compares favourably with the 10-15 km per litre fuel consumption rate of ordinary vehicles. With the rising price of fuel and concerns over the environment this could be an incentive for middle income households to shift to LCGC. Furthermore, tax reductions on LCGC would further stimulate public interest.

### **Private transportation vs. public transportation**

Private vehicles have been the primary mode of transport because public transportation remains inadequate to meet public demands. Beside the appalling condition of public transportation, Indonesia's economic boom means greater purchasing power for Indonesians to acquire private transportation. The relatively affordable price of vehicles serves as a pull factor for private transport especially motorcycles.

Concerns over traffic congestion are not without basis. Traffic congestion in Jakarta, usually during peak hours and the rainy season, has generated roughly US\$ 1 billion loss per year. The figures comprise time value, fuel consumption and health costs. Since most of the vehicles use subsidised fuel, it also increases fuel imports that could threaten Indonesia's energy security while incurring a trade deficit and increasing dependency on foreign oil supplies.

The excessive number of vehicles in Jakarta, exacerbated by commuters from the Bodetabek satellite towns (Bogor, Depok, Tangerang and Bekasi) contributes significantly to traffic congestion. Middle-low income commuters usually rely on public transport such as the railway Commuter Line or Busway Integrated Border Transport, while the middle and middle-high income commuters use private transport.

### **Double-edged sword**

The LCGC is a double edged sword. It provides benefits for the economy and the environment, but it exacerbates traffic congestion in Jakarta and other big cities. However, as long as public transportation woes are not resolved any time soon, the public will always resort to private transport. Public demand for a reliable, safe and crime-free public transportation system will act as a driver to improve public transportation. While the central government presses on to improve Indonesia's environment and boost exports, the Jakarta provincial government has to remain focused on resolving the issues of public transportation.

Although LCGC will add to traffic congestion in the short-term, the demand for good, reliable and secure public transportation is always high. Once the Jakarta Government is able to introduce schemes that augment the public transport infrastructure to serve public needs, coupled with legislation to reduce the numbers of fuel-guzzling vehicles, private transportation will decrease over time.

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