

## Research Report #2

# Impact of Local Regulations on Business Activities: A Study in Fishery Sector in Tulungagung and East Belitung



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## **Research Team KPPOD:**

Ig. Sigit Murwito  
Boedi Rheza  
Sri Mulyati  
Elizabeth Karlinda  
Illinia Ayudhia Riyadi  
Rizqiah Darmawiasih

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*Regional Autonomy Watch*

Permata Kuningan Building 10<sup>th</sup> Fl.  
Guntur Setiabudi, Jakarta Selatan 12980  
Phone: +62 21 8378 0642/53, Fax.: +62 21 8378 0643

# CONTENTS

Contents .....	i
List of Figures .....	ii
List of Table .....	iii
I. INTRODUCTION .....	1
I.1. Background .....	1
I.2. Research Inquiries .....	2
I.3. Research Goal .....	2
I.4. Research Scope .....	2
I.5. Research Approach .....	2
I.5.1 KPPOD Regulatory Review Method (14 Criteria) .....	3
I.5.2 Case Study using RIA Approach .....	3
I.6. Frame of Thought .....	4
II. STUDY FINDINGS .....	6
II.1. Profiles of the Local Regulations to be Analyzed .....	6
II.2. Problem Illustration of the Fisheries' Local Regulations .....	6
II.2.1. Juridical Aspect .....	6
II.2.2. Substantial Aspect .....	7
II.2.3. Principle Aspect .....	8
II.3. Impact of the Local Regulation Implementation .....	9
II.3.1. RIA Analysis on Fisheries' Local Regulations in Tulungagung and East Belitung .....	9
II.3.2. RIA Analysis on Fish Landing Place (TPI) in Tulungagung and East Belitung .....	12
II.3.2.1. Background .....	12
II.3.2.2. Problem of TPI in Tulungagung and East Belitung .....	12
II.3.2.3. Goal .....	13
II.3.2.4. Alternates and Actions (Options) .....	13
II.3.2.5. Analysis of Cost and Benefit for TPI in Tulungagung and East Beliltung .....	14
II.3.2.6. Implementation Strategy to Optimize TPI Use .....	17
III. CONCLUSION AND RECOMMENDATION .....	18
III.1. Conclusion .....	18
III.2. Recommendation .....	18
Attachment I. RIA Cost – Benefit Calculation for TPI in Tulungagung and East Belitung .....	19
Attachment II. List of Analyzed Local Regulations .....	20

# LIST OF FIGURES

Figure 1.	Influence of Taxation on Product Price .....	4
Figure 2.	General Profile of Fisheries' Local Regulation .....	6
Figure 3.	Juridical Aspect Problem .....	7
Figure 4.	Local Regulation with Problem in Juridical Aspect by Location .....	7
Figure 5.	Substantial Aspect Problem .....	8
Figure 6.	Principle Aspect Problem .....	8

# LIST OF TABLES

Table 1.	14 Criteria of KPPOD Regulatory Review .....	3
Table 2.	Kinds of Taxation in Fisheries Sector .....	9
Table 3.	Illustration of Fisheries' Local Regulations in Tulungagung and East Belitung .....	10
Table 4.	RIA Analysis on Fisheries' Local Regulations in Tulungagung and East Belitung .....	11
Table 5.	Conditions of Fisheries Sector and TPI in Tulungagung and East Belitung .....	13
Table 6.	Alternates of Actions (Options) .....	14
Table 7.	RIA Analysis for Tulungagung TPI .....	15
Table 8.	RIA Analysis for East Belitung TPI .....	16

# I. INTRODUCTION

## I.1. Background

Since 1999 Indonesia has implemented decentralization, granting wider autonomy to the regions. The Laws which have been referred as legal bases for the regional autonomy at the early period of its implementation were Law No. 22 and Law No. 25 Year 1999; such Laws have been subsequently replaced by Law No. 32 and Law No. 33 Year 2004. Based on the legal frame, the amount and weight of regency/city governments' authorities are magnificent, including those authorities performed upon issuance of local regulations (subsequently be abbreviated as: perda).<sup>1</sup>

However, some study findings show that implementation of the abovementioned authority in issuing perda has brought bad impact upon investment climate in the regions (*Investment Climate and Productivity Study*, 2003, Study prepared by TKED-KPPOD, 2007, 2011). The delegation of authorities, in particular such authority that arranges sector affairs has caused some changes upon regulations in the regions, and business uncertainties as well. In addition, the reason behind the local government's implementing a perda which worsen investment climate is to fulfill the target of achieving local revenues (PAD) which resulted from local tax and retributions. Implementation of such perda related to local tax and retributions has subsequently triggered a high cost upon business people due to some uncertainty contents in the local regulation.

Since 2001, the Ministry of Internal Affairs has canceled many perdas which are contrary with central regulations regarding local taxations and regulations. Since early period of decentralization implementation until end of 2010, there have been 13,622 perdas from various regions sent to the central government. From this amount, there are 13,252 perdas have been analyzed and 4,885 are recommended to be canceled, but only 1,843 perdas have been canceled by the Ministry.<sup>2</sup> The local government should have been aware that an excessive taxation or such taxation that does not conform to the applicable law has a potential to distort investment climate and investment in

the region which in turn would certainly be an obstruction to the region's economic growth.<sup>3</sup>

Behind the problem, it appears that the Local Government has no holistic understanding upon the investors' rational behavior in selection of locations for their investment. Some researches have proven that there are at least two things should be taken into consideration by policy makers in relation with business affairs/investor behavior (Raksaka Mahi, 2002). *Firstly*, behavior of the asset holder, wherein business people are more likely to hold assets which grant higher earnings compared to risks or costs he/she may have to bear. *Secondly*, behavior of the investment, wherein business people would pay more attention on additional taxation at input side, which might have adverse impact of an increase in production costs. In an extreme condition, such business may not be able to bear the imposed production costs, and as a result, there would be two extreme options, i.e. either close the business, or move business location to other region or, moreover, to other country.

The high costs borne by business people can be seen as a negative economic impact. By paying attention to the perda's problems which are reflected in TKED study of 2011, the negative economic impact is one of the problems stood out, outside the problems of up-to-dateness of the reference (considerations), and clarity in standards of time, costs, and procedure, or structure and standard of tariff. From about 1,500 analyzed perdas, there are 255 perdas (17%) which have problems related to negative economic impact.<sup>4</sup>

In general, perdas that have significant impact on business activities in a region are those which arrange commodities such as mines, fisheries, plantations, and so on. The reason is due to, among others, potential friction occurring between local regulations and sector regulations of such commodities. In addition, business characters of the commodities may be highly varied amongst regions. Potential of resulted impacts are generally comes from double taxations, improper taxation, and complex regulation (over regulated).

1). Butt, Simon. "Regional Autonomy and Legal Disorder : The Proliferation of Local Laws in Indonesia" Sydney Law Review, Vol.32, 2010.

2). KPPOD. Regional Economic Management Report 2011. Jakarta. 2011.

3). KPPOD. Report on synthesis of 353 reviewed perdas result. Jakarta. 2002.

4). KPPOD. Regional Economic Management Report 2011. Jakarta. 2011.

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To have an illustration of perda's implementation impact upon business activities, a study focusing on fisheries sector was carried out. In fisheries sector, there are many local governments of such potential regions which have not focused on fisheries sector; moreover, they just create policies which distort business sector of fisheries. In fact, the Central Government has urged Local Government to cancel local taxations in relations with fisheries sector by granting incentives, i.e. Special Allotment Funds (DAK) for fisheries sector.

Fisheries is one of potential sectors in Indonesia considering width of the oceanic area and total length of the beach which is the second longest in the world, but fish consumption per capita by Indonesian people (32 kg/capita/year) is the lowest compared to that in other ASEAN countries, Korea, and Japan. In addition, there are many people who have profession as fisherman but when seen from welfare level, many of them are still under poverty line, i.e. amounting to about 63.47% of 34.96 millions total poor people. Also, fish processing industries' ability to produce is only 50% of its installed capacity due to lack of fish supplies. This is because fisheries product level is low due to low capacity of Indonesia's fishermen, in particular their sailing capability.

Other problem faced by fishermen is high operational costs. To sailing with small boat up to 5 GT in size, it costs about Rp 2.5 millions – Rp 3.5 millions for 3 days. In addition, fishermen have difficulties to access production facilities (tools, boat, and so on), therefore 50% of fishermen do not have vessel of their own, means that they work as fishermen's labors. The problem of fuel scarcity is also a crucial problem since, without fuel, fishermen will not be able to go fishing, and as a consequence, they will not have any income because there are no fish captured.

Another problem can be seen in Local Government not seriously managing Fish Landing Place (TPI) as an institution which has functions to stabilize price, to give open and symmetric information for seller as well as for buyer, to provide data regarding fisheries products, and so on. With such situation where TPI is not run well, there is no guarantee that fish product price would be good, and information received by buyer and seller regarding fisheries product would be the same.

To assess impact of Local Government's policy in fisheries sector, a case study in two regions, i.e. East Belitung Regency (in Bangka Belitung Province) and Tulungagung Regency (in East Java Province) was carried out. In TKED 2011 study, the two regions have perda problem relating to the criteria of negative economy impact. Therefore, by this study, we would like to further explore impacts resulted from perda's implementation, in particular those in relation with fisheries matter in East Belitung and Tulungagung.

The two regions also have wide oceanic area and high potentials of fisheries. In addition, there are TPIs in the two regions although they are different in effectiveness when conducting their functions: TPI in East Belitung is no longer run physically, while TPI in Tulungagung is still functional but is not optimum. This study is aimed to deeply explore impacts resulted from implementation of the perdas upon business activity in fisheries sector in particular captured fish. More specifically it would study TPI's existence, function, and influence it has on expediting business activities and on developing captured fish sector at the two studied regions.

## **I.2. Research Inquiries**

Based on the abovementioned problems, this study would answer the following inquiries:

1. How to illustrate such regulation in fisheries sector in relation with fisheries' taxation and business permit in general in Indonesia, and more specifically in East Belitung and Tulungagung?
2. How is TPI's role in order to support capture fisheries business activities in regions?

## **I.3. Research Goals**

Goals of the study are:

1. To provide illustration of regulation in fisheries sector in relation with fisheries' taxation and business permit in general in Indonesia, and more specifically in East Belitung and Tulungagung.
2. To provide illustration of TPI's role in supporting capture fisheries business activities in regions.

## **I.4. Research Scope**

In spite of the fact that fisheries sector has various local regulations, however, this study will only carry out research in local regulations related to capture fisheries sector including taxations and permits. In addition, local regulations to be analyzed are those which were issued during 2009 until 2012, which come from 53 regions. Regulations profiles are obtained from textual study result (regulatory review) on local regulations documents which have been collected by KPPOD. Meanwhile to observe impact of fisheries' local regulations and TPI role in supporting capture fisheries business activities, a case study in Fish Landing Places in two regions: East Belitung and Tulungagung is carried out.

## **I.5. Research Approach**

This study uses textual study (regulatory review), Regulatory Impact Assessment (RIA)<sup>5</sup> method, and case study approaches.

### I.5.1. KPPOD Regulatory Review Method (14 Criteria)

Regulatory review method is used to make a regulation profile in fisheries sector. The KPPOD desk analysis method refers to 14 evaluation criteria. The 14 criteria are divided into 3 aspects of evaluation, namely juridical aspect, substantial aspect, and principle aspect. The juridical aspect evaluates all related matters of a local regulation from formal and legal points of view. The substantial aspect evaluates substance or contents of a local regulation. The principle aspect evaluates basic principles in economy such as economic unity, that is, free internal trade.

The 14 criteria can be seen in the following table:

**Table 1. 14 Criteria of KPPOD Regulatory Review**

No.	CRITERIA
<b>Substantial Aspect</b>	
1.	Juridical relevance
2.	Up-to-dateness of the Juridical reference
3.	Juridical completeness
<b>Substantial Aspect</b>	
1.	Consistency between goal, contents, and articles
2.	Object clarity
3.	Subject clarity
4.	Clarity in rights and obligation of tax collector institution or Local Government
5.	Clarity in standards of time, costs, and procedure; or structure and standard of tariff
6.	Conformity between philosophy and principles of taxation
<b>Principle Aspect</b>	
1.	National economic unity and free internal trade principle
2.	Fair competition
3.	Impact on economy
4.	People's access to common interest (living environment)
5.	Government authority

### I.5.2. Case Study using RIA Approach

Regulatory Impact Assessment (RIA) method is used to find out the impact of a regional policy implementation. By using RIA approach, a rational calculation relating to optimum benefit and minimum netto costs (cost-benefit analysis)<sup>6</sup> can be performed.

In its application, RIA method consists of 7 phases, i.e.: (1) Problem formulation phase to formulate problem to be solved by a policy; (2) Identification phase to identify objectives or goals to be achieved by the government through policy implementation; (3)

Phase of Identification of Problem solving alternates. To achieve the determined goals/objectives and find solutions for the problem, policy analyst makes an assessment of possible alternate actions that could be taken by the government before implementing the policy; (4) Cost-benefit analysis phase. For each option or alternate action of a policy, an analysis (quantitative as well as qualitative) on benefit-loss from the point of view of government, society, business people, and economy in its totality will be made; (5) Public consultation phase. From the perspective good regulatory governance which has become a strong mission in RIA instrument, a policy formulation must be continually communicated to all relevant parties, including those implementing the policy in the field. Such consultation must be

carried out since initial phase, i.e. policy formulation until implementation and monitoring phases; (6) Best option determination phase. After having taken into consideration all the various possible options, and having compared benefit-cost of each option, the next step is to determine the best option to achieve the objectives and to solve the problem already formulated; (7) Implementation strategy formulation phase, consists of policy administration, policy education/socialization, and monitoring of the implementation. Formulation of implementation strategy must consider some factors such as regulation implementation mechanism, possibility

5). Morral III, John F. SMARTER REGULATION The US Government Principles for Quality Regulation. Presented at Regulatory reform and regulatory impact analysis (RIA): Training Course for Indonesian Stakeholders in Civil Society.

6). The rational approach used in the abovementioned result is subsequently combined with participatory approach in the process of policy making. Here, the rational calculation result is examined and be consulted with stakeholders in each step of RIA process. Final result of the policy is determined through a dialogic, collaborative and also argumentative process. Combination of the two approaches resulted in that RIA is believed to be an instrument for creation of good regulatory governance (GRG).



would be made in balance with quality level of the goods.

Fishermen wish to sell their captured fish at best price, while consumer wants to buy at lowest price. To meet both supply and demand, an auction is held to obtain an agreed price that can be accepted by both seller and buyer. The main purpose to build TPI is to attract buyer, therefore fishermen could sell their captured fish as soon as possible at good price; and to create a fair market through a clean auction. In addition, functionally the aim of TPI management is provision of good quality fisheries with reasonable price to meet the needs of people in vicinity areas.

Another function of TPI is a market and distribution center of fisheries product, fisheries retribution facility, and fisheries' elucidation and data collection facility. Such TPI functions are considered strategic, since by presence of an auction product price competitiveness is higher and it will have an influence on increase in income from fisheries business. It is not impossible that a good and professional TPI management will motivate fishermen to enlarge and develop their business in fisheries sector. In brief, it can be concluded that some benefits of having auctions in TPI, among others, are:

- a. Good price, cash for fishermen, and not burdening consumers
- b. Monopolistic bounds towards fishermen are centralized at one place.
- c. Increase in regional earnings through retribution on auction.
- d. Development of Village Unit Cooperatives.

There are some variations in auction basic format, including determination of time limit, minimum or maximum offered price limit, and specific regulation to determine winning bidder and price. A bidder may not know other bidders' identity or action. The objective of fisheries' auction system at TPI is to seek for potential buyers as much as possible to buy fish at a price that profitable and not inflicting a loss upon collecting traders.

At the initial stage of its establishment, TPI's objective was more related to fishermen and fisheries' cooperatives interests to release fishermen from poverty. According to Sulistiani (2005), in its history fisheries auction has been recognized since 1922, established and held by Fisheries Cooperatives especially in Java Island, aimed to protect fisheries from price controlled by middlemen, to help fishermen to get proper price and also to develop their business.

Now, there are lots of regions having TPIs but in the field they are not function as they should be. Auction system which is the base for trading transaction between fishermen and trading collectors is not running. Marketing of captured fish is still centered at fish trader with *ijon* system (a system where the product is sold long before the harvest). The *ijon* system has been certainly inflicting a loss upon fishermen. Usually trader/shop proprietor/middleman will give loan to fishermen as capital they need for fishing. After they get fish, the trader/shop proprietor/middleman has the right to sell the fish and to determine purchase price from the fishermen. In this system, the fishermen do not know the real price of their fish. ■

## II. STUDY FINDINGS

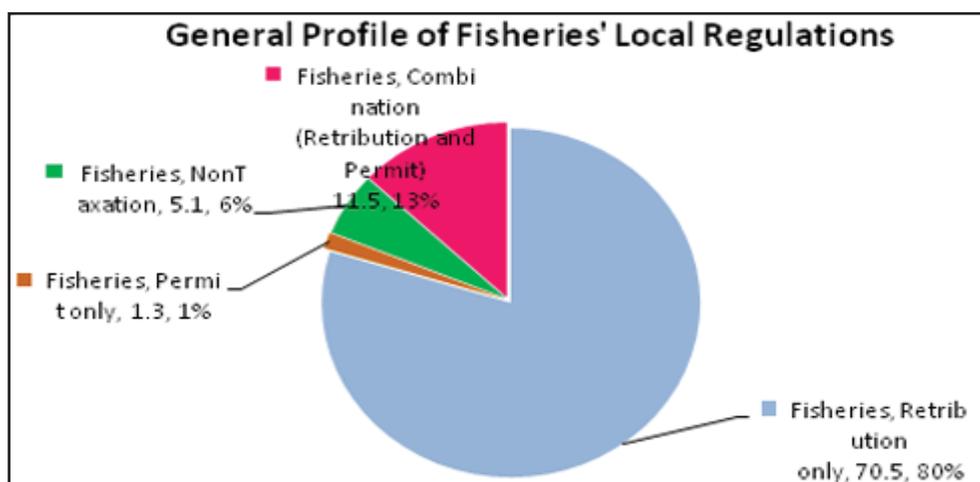
### II.1. Profile of the Local Regulations to be Analyzed

To view problems in fisheries' local regulations, a textual analysis on 78 local regulations in fisheries sector was made. Such local regulations which have been analyzed in fisheries sector are, among others local regulation in capture fisheries business permit, local regulation in certain permits retribution, and so on. Proportion of such local regulations analyzed can be seen at the following graph below.

fisheries' local regulation. In TKED study, the greatest problem in juridical aspect is on up-to-dateness of juridical reference which reached 72%, in which all local regulations having problems in this criteria still use those local regulations which are no longer valid, such as some local regulations concerning taxation but not using Law No. 28/2009 as a reference.

Meanwhile, the result of local regulation research on fisheries sector shows that the greatest problem is the relevance of juridical reference, which reached 35%. As we recorded, such problem occur because higher

Figure 2. General Profile of Fisheries' Local Regulations



Source: KPPOD, processed

The above figure shows that most of the 78 local regulations that have been analyzed regulate retribution (86%); 13% are those which regulate permit and also retribution, and 10% are local regulations which regulate permit and non-taxation. Data show that most local regulations in regions include taxation, or in other words local governments tend to make a regulation when there is taxation potential in it. Such situation often occurs to achieve PAD target.

### II.2. Problem Illustration of Fisheries' Local Regulation

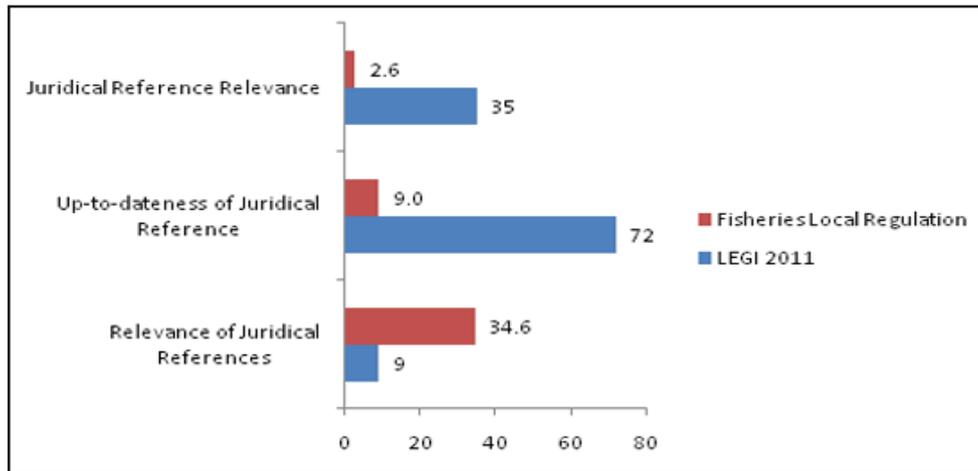
#### II.2.1 Juridical Aspect

From juridical aspect, there is a difference between TKED 2011 findings and research result made in

rank laws are not used as reference in making the local regulations; for example, Law No. 31/2004 regarding Fisheries and Government Regulation No. 54/2002 regarding Fisheries Business. More specifically, if we look at those local regulations that were analyzed, about 39% local regulations which regulate retribution have problems in juridical reference relevance.

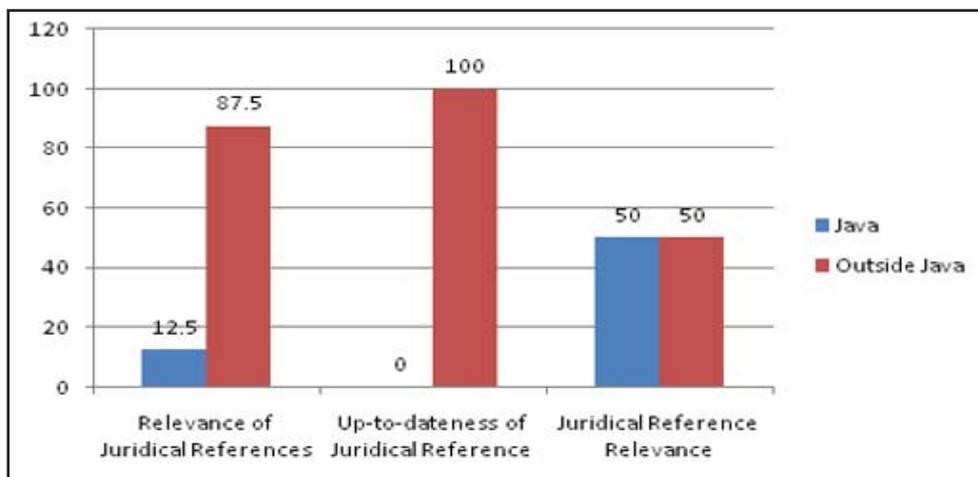
When a local regulation has no juridical reference relevance, it can be said that such local regulation has no reference for its clauses as well as for its lower terms' spelling out. Moreover, such local regulation may be considered illegal because it has no appropriate legal basis taken as its consideration, therefore a revision must be made. An example of such case is Makassar City Local Regulation No. 13/2011 regarding Retribution on Business Services

**Figure 3. Juridical Aspect Problem**



Source: KPPOD, processed

**Figure 4. Local Regulation with Problems in Juridical Aspect by Location**



Source: KPPOD, processed

which does not include Law No. 31/2004 regarding Fisheries as its reference.

An interesting finding of local regulations' analysis result is that local regulations related to fisheries and issued by regions in Java relatively have no problem in juridical reference relevance criteria compared to those of other regions outside Java. The finding indicates that regions located close to center of government and have better information access relatively have no problem.

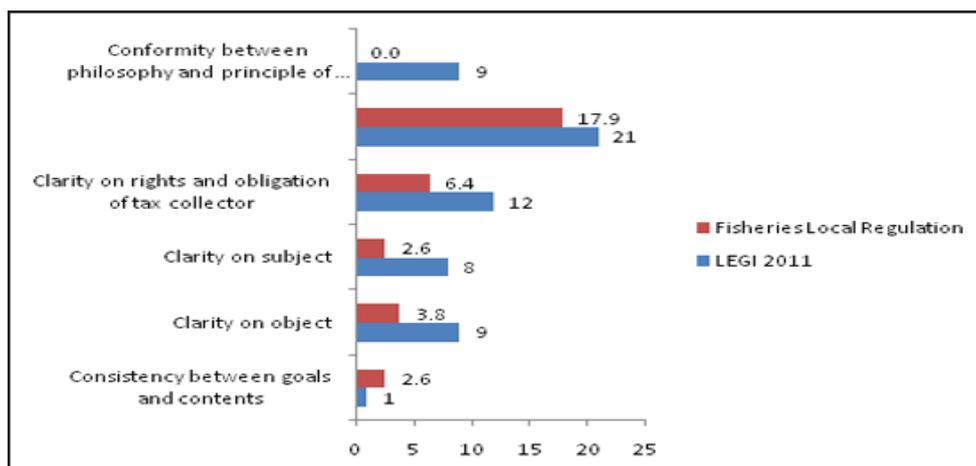
### II.2.2. Substantial Aspect

Finding result in substantial aspect for fisheries' local regulation has no much difference from that resulted from TKED Study 2011. Most problems are on the criteria of clarity in time standard, costs, procedure; they are 18% of total number of local regulations analyzed. Potential problem that may emerge in the field due to violation is uncertainty for people as well as for business actors, therefore it may give an opportunity for violation occurrence such as illegal

taxation. By unclear standard of costs, it may happen that government employee who is in charge of collecting taxation will impose higher, unreasonable tax amount; furthermore, it will cause the tax collector enjoy a profit (economic rent practice). Whereas, a local regulation must have a clarity in costs, time, and procedure standards. By having a clarity in such standards, people as business actors get a certainty in costs amounts he/she must bear to obtain such services from local government.

An example of problems in substantial aspect is Lamongan Local Regulation No.19/2010 regarding Retribution on Fish Landing Place, wherein there is an uncertainty in retribution tariff formulae. The uncertainty is due to such local regulation's only mentioning an amount of 2.5% retribution costs that will be imposed to seller as well as buyer without mentioning any clause as the base for retribution tariff calculation. With such uncertainty in the base for retribution, the tax collector may impose an unreasonable tariff base for the tax collector's own benefit.

**Figure 5. Problem in Substantial Aspect**



Source: KPPOD, processed

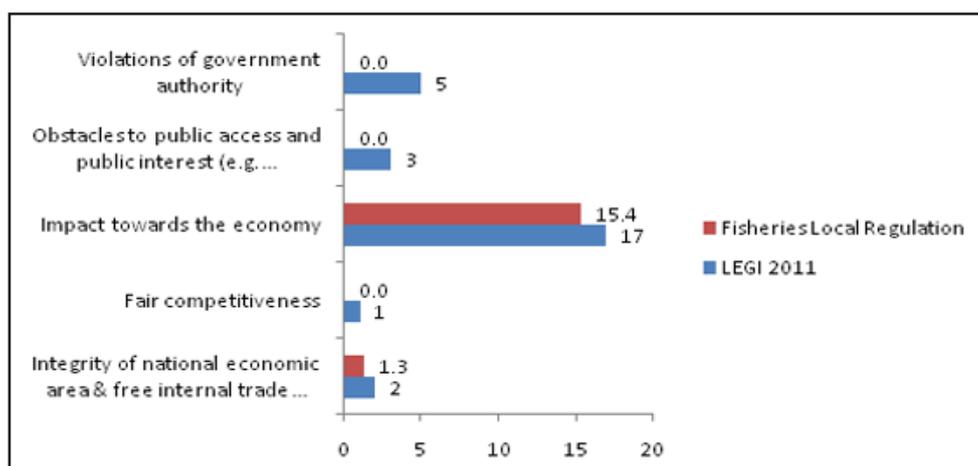
### II.2.3. Principle Aspect

Problem that most stand out in principle aspect is the impact to economy, i.e. 15%. This finding is not much difference from TKED 2011 finding. Impact (negative) towards economy happens if the local regulation has a potential to create double taxation for business actors. Double taxation potential appears at such local regulation that substantially contains taxation which is not authority of the local government; rather it belongs to domain of the higher government authority.

for seller/fishermen it is 2%. Such regulation is indeed an additional burden for fishermen who have already borne operational costs for fishing. In practice, for trader, retribution cost could be shifted to fishermen or to consumer. Therefore, such local regulation will have an impact in high economy costs in fisheries sector business in Cirebon City.

In Indonesia, in general local regulation related to fisheries sector also regulates Fish Landing Place (TPI). Such regulation regarding TPI is included in local regulation regarding harbor affairs. Taxations

**Figure 6. Principle Aspect Problem**



Source: KPPOD, processed

High cost economy may happen also when there is an unreasonable tariff amount implemented, which can be resulted in multiplying burden that must be borne not only by consumer but also via backward shifting of the burden, by fishermen. Such situation is shown in calculation of retribution service which is determined based on trading transaction value at TPI in accordance with Cirebon City Local Regulation No. 5/2011 regarding TPI Implementation and Retribution. In the Local Regulation it is mentioned that retribution tariff is 5% of transaction value which is impose to buyer; for trader the amount is 3% while

imposed on TPI in general are retribution on services used in TPI, such as entry ticket and parking, cold storage, land rental, building rental or kiosk for selling, and so on. Retribution comes from TPI is one of the PAD component at fisheries sector in the region.

Taxations imposed on Fisheries Sector are shown in the following table 2 beside:

From permit point of view, there has been an over-regulated occurrence in capture fisheries business. The above Table 2 shows that there are various permits

**Table 2. Kinds of Taxation in Fisheries Sector**

KINDS OF TAXATION		TARIFF IMPOSED
<b>I. Permit</b>		
1.	SIUP (Fisheries Business Permit)	Rp 0-1.500.000/Business Scale, tariff per corporation
2.	SIPI (Fishing Permit)	Rp 0-300.000/Business Scale (Ship), kinds of capture tools
3.	SIKPI (Fisheries Transport Statement)	Rp 0-500.000/GT/year (in general tariff imposed based on/unit of Ship)
4.	etc...	
<b>II. Permit for Use of Tools</b>		
1.	Purse seine	Rp 30.000-300.000/GT/year
2.	Handline fishing rod	Rp 20.000/ GT
3.	Vessel worthiness trial	---
4.	etc...	
<b>III. On Captured Fish/Product</b>		
1.	Selling	<ul style="list-style-type: none"> <li>● Fisherman: 0%-2.5% x transaction value</li> <li>● Consumer: 0% -5% x transaction value</li> </ul>
<b>IV. Use of Facilities</b>		
1.	TPI	Rp 15.000/m <sup>2</sup> /day
2.	Cool Storage	Rp 25/kg/day
3.	Vessel mooring	Rp 1500(10GT)/mooring-Rp 20.000 (20GT)/ mooring
4.	etc...	

which must be owned by fishermen at Regency/City levels to start business in capture fisheries. Whereas at central level there is a business permit in capture fisheries sector which is similar in characteristic, i.e. Fisheries Ship permit, Taxation on Fisheries Business (PPP), and Allocation of Capture Fisheries Investment (APIPM) for investment.

Double taxation potential also occurs at PPP and Fisheries Product Taxation (PHP) which are non-taxation state revenues (PNBP) in fisheries sector and become source for share allotment of revenues (DBH) from fisheries sector. In principle, PPP is similar with taxation in SIUP, SIPI, and SIKPI which are imposed to business people in capture fisheries. Two kinds of taxation determined by central- and regional levels and have similar characteristic would certainly be a burden to fisheries business people. Also, PHP which is only imposed upon fisheries product for export which tariff is 1% - 2%, could potentially be a double taxation with local retribution of Fisheries Transport Statement (SKPI) or taxation on fisheries product at TPI which tariff is 2% - 5%. Here it can be seen potential of double taxation between taxation at local level with that at central level. Another problem is, considering that trading transaction may be made on board of the ship, effectivity of PHP taxation would be a problem. Huge amount of stolen fish and draining of fisheries resources are not comparable with the state's revenues in this sector.

### II.3. Impact of Local Regulation Implementtion

To find out more about the impact of a local regulation implementation, an analysis using Regulatory Impact Assessment (RIA) is carried out. For this purpose, two local regulations which regulate fisheries, came from East Belitung and Tulungagung, are taken. The two local regulations are: Tulungagung Local Regulation No. 12 Year 2010 regarding Management of Fisheries and Oceanic Product Business, and East Belitung Local Regulation No. 10 Year 2012 regarding Fisheries Business Permit.

#### II.3.1. Ria Analysis on Fisheries Local Regulations in Tulungagung and East Belitung

Tulungagung which is located at south coast of Java Island has great potential in capture fisheries. This is due to wide oceanic area it owns including ZEE (Exclusive Economic Zone). To maintain sustainability of its fisheries resources, each local government of Tulungagung and East Belitung has issued a local regulation aimed to control and manage fisheries sector's exploitation.

At Tulungagung, local regulation related to fisheries sector is the Local Regulation No. 12/2010 regarding

Management of Fisheries and Oceanic Product Business, and at East Belitung, the Local Regulation No. 10 Year 2012 regarding Fisheries Business Permit. In principle, both regulations regulate permits which are related to capture fisheries such as Fisheries Business Permit (SIUP), Fish Transport Ship Permit (SIKPI), Fishing Permit (SIPI). In addition, each regulation also regulates excepting clause and sanctions. As a matter of fact, Tulungagung Local Regulation No. 12/2010 also regulates TPI. However, for the purpose of making an analysis on local regulation's implementation impact, the discussion will be limited on impact of stipulations concerning fisheries business permit only.

A more detail explanation can be seen at the following Table 3 below:

**Table 3. Illustration of Fisheries' Local Regulation in Tulungagung and East Belitung**

<b>LOCAL REGULATION</b>	<i>Tulungagung Local Regulation No. 12 Year 2010 regarding Management of Fisheries and Oceanic Product Business</i>	<i>East Belitung Local Regulation No.10 Year 2012 regarding Fisheries Business Permit</i>
<b>(1): Problem</b>	1. There are not many fishermen own permits 2. Taxation upon fisheries' business permit has a potential to burdening fishermen	
<b>Explanation:</b>		
<b>Permit Subject</b>	<i>Anyone or any legal institution which running fisheries activities in Tulungagung jurisdiction</i>	<i>Anyone or any legal institution which running fisheries activities in East Belitung jurisdiction</i>
<b>Permit Object</b>	<i>Issuance of capture fisheries business permits, i.e. SIUP, SIPI and SIKPI in Tulungagung</i>	<i>Issuance of capture fisheries business permits, i.e. SIUP, SIPI and SIKPI in East Belitung</i>
<b>Tariff Base</b>	<i>Not specifcily regulated in local regulation, but regulated further in the Regent's regulation</i>	<i>Regulated in a separate local regulation, i.e. the Attachment of Local Regulation for Certain Permits</i>
<b>Tariff</b>	<i>Regulated further in the Regent's regulation</i>	<i>Regulated in a separate local regulation, i.e. the Attachment of Local Regulation for Certain Permits</i>
<b>Exception</b>	<i>Fisheries activities to fulfill daily needs and for research purposes</i>	<i>Not regulated in local regulation</i>
<b>Sanctions</b>	1. Cancellation of SIUP, SIKPI 2. Discontinuance of Business Activities 3. 6 months in jail or Rp 50 million fine at most	<i>6 months in jail or Rp 50 million fine at most</i>
<b>(2): Aims/Objectives</b>	1. Control and arrange oceanic resource exploitation 2. Orderliness and evenly distribution of business opportunities in fisheries and oceanic affairs.	1. Control and arrange oceanic resource exploitation 2. Orderliness and evenly distribution of business opportunities in fisheries and oceanic affairs.

Potential problem resulted from implementation of fisheries' local regulation in Tulungagung and East Belitung is retribution's imposition to fishermen related to issuance of permits in capture fisheries business. Such retribution is still applied in Tulungagung and this more or less put a burden upon fishermen. Being imposed by such retribution means that fishermen must spend more expenses in addition to their operational costs. This happens because fishermen do not have power in the market

and more likely willing to be a price taker, although it can be said that fisheries price is elastic because it depends on supply. Therefore, the retribution burden must be borne by fishermen as separate costs. While or consumer, such retribution has relatively no impact because it is borne by the fishermen.

Before making cost-benefit analysis, stakeholders who bear direct impact as well as indirect impact of the local regulation must be firstly identified. Main stakeholders who will get benefit or will bear impact of the local regulation are as follows:

1. Fishermen, as they are the main actor in fisheries sector in the region. Fishermen have roles in fishing or producing capture fisheries.
2. Regional Office of Oceanic and Fisheries Affairs, as controller of fisheries resource's exploitation

3. Consumers/Fish processing industries, as user of fisheries product.
4. Permit services Agency as one of the regional offices to receive regional revenues.

Furthermore, the impact of local regulation implementation measurement can be grouped into two categories, i.e. measurable impact and unmeasurable impact. Measurable impact can be expressed in unit

of money valued, or in time loss suffered, while unmeasurable impact is further grouped into three categories, those are minor, moderate, and major. Coefficients used to show direction of the impact are (+) for benefit and (-) for costs/loss.

There are three alternates of action developed due to such local regulation issue:

1. 1. No intervention of any kind towards the local regulation implemented
2. Simplification of permits related to capture fisheries business
3. Exemption of retribution costs on capture fisheries permits including fisheries tools' permit.

For the first alternate, if there is no intervention of any kind towards the local regulation, total impact on benefit received by all the stakeholders is major, although there are still some costs spent by each stakeholder. Fishermen get some benefits from the local regulation implementation, i.e. business legality and certainty in kinds of taxation which must be spent to start business. Other benefit can be obtained by fishermen, that is, nurturing of the fishermen, although there are still other taxation which must be borne by fishermen alone and could have an adverse impact on price of the fish. Such nurture could be in forms of technical aids, training as well as fishing tools for fishermen who have had permit,

**Table 4.**  
**RIA Analysis on Fisheries' Local Regulations in Tulungagung and East Belitung**

No.	Stakeholders	Benefit/Loss	Total Impact Alternative I	Total Impact Alternative II	Total Impact Alternative III
1	Fishermen	Permit administration cost	(-) Major	(+) Moderate	(+) Major
		Fish price	(-) Major	(-) Major	(+) Major
		Retribution tariff certainty	(+) Major	(+) Major	(+) Major
		Business Legality	(+) Major	(+) Major	(+) Major
		Local government's nurturing	(+) Major	(+) Major	(+) Major
		Access ease to bank	(+) Major	(+) Major	(+) Major
<b>Unmeasurable impact to Fishermen</b>			<b>3 (+) Major</b>	<b>4 (+) Major, (+) Moderate</b>	<b>6 (+) Major</b>
<b>Measurable impact to Fishermen</b>			<b>Not measured</b>	<b>Not measured</b>	<b>Not measured</b>
2	Forestry Regional Office	Fisheries business supervision cost	(-) Major	(-) Major	(-) Minor
		Administrative orderliness	(+) Major	(+) Major	(+) Major
		Availability of regional product data	(+) Major	(+) Major	(+) Major
		Nurturing Fishermen	(-) Moderate	(-) Moderate	(-) Moderate
		Fisheries' quality assurance	(+) Major	(+) Major	(+) Major
		Sustainability of the resources	(+) Major	(+) Major	(+) Major
<b>Unmeasurable impact to Oceanic Affairs' Regional Office</b>			<b>2 (+) Major, (+) Moderate</b>	<b>2 (+) Major, (+) Moderate</b>	<b>3 (+) Major, (+) Minor</b>
<b>Measurable impact to Oceanic Affairs' Regional Office</b>			<b>Not measured</b>	<b>Not measured</b>	<b>Not measured</b>
3	Permit Agency	Availability of legal business data in fisheries sector	(+) Major	(+) Major	(+) Major
		Permit retribution revenues	(+) Moderate	(+) Minor	(-) Moderate
		Attract investment on Fisheries sector	(+) Major	(+) Major	(+) Major
<b>Unmeasurable impact to Permit Agency</b>			<b>2 (+) Major, (+) Moderate</b>	<b>2 (+) Major, (+) Minor</b>	<b>(+) Major, (+) Moderate</b>
<b>Measurable impact to Permit Agency</b>			<b>Rp. 0,-</b>	<b>Rp. 0,-</b>	<b>Rp. 0,-</b>
4	Fish Consumer	Fish price	(-) Moderate	(-) Moderate	(+) Major
		Fisheries' quality assurance	(+) Major	(+) Major	(+) Major
		Fish product supply security	(+) Major	(+) Major	(+) Major
<b>Impact to Fisheries' Consumer Entrepreneur</b>			<b>(+) Major, (+) Moderate</b>	<b>(+) Major, (+) Moderate</b>	<b>2 (+) Major, (+) Minor</b>
<b>Measurable impact to Fisheries' Consumer Entrepreneur</b>			<b>Not measured</b>	<b>Not measured</b>	<b>Not measured</b>
<b>Total Impact (unmeasurable)</b>			<b>9 (+) Major, (+) Moderate</b>	<b>11 (+) Major</b>	<b>14 (+) Major</b>
<b>Total Impact (measurable)</b>			<b>Rp. 0,-</b>	<b>Rp. 0,-</b>	<b>Rp. 0,-</b>

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although there are some costs which must be borne by fishermen to obtain such permit. For Regional Office of Oceanic Affairs, implementation of the local regulation could assure administration orderliness and availability of data regarding fisheries product. Therefore, Regional Office of Oceanic Affairs could make problem mapping and planning in fisheries sector. For consumers there are costs included in the fish price, since fishermen put the retribution costs in the fish price component.

For the second alternate, by simplifying permits in capture fisheries business, i.e. SIUP, SIKPI, and SIPI into one permit, there will be a benefit obtained by fishermen, that is, the fishermen would only have one permit to make instead of three. In addition to business legality and retribution tariff certainty, the benefit for fishermen is a decrease in costs, not only from expenses to pay retribution for permit, but also in time needed for processing the permit. For local government, in particular Permit Agency, having this simplified permit process, the impact is a decrease in revenues from permit retribution, since from three permits it now becomes only one permit. However, benefit of the simplified permit for the Permit Agency is that it could ease mechanism of data collection regarding permits issued in fisheries business.

The third alternate is exemption of retribution costs on all capture fisheries permits. By such retribution exemption, fishermen are no longer spending expenses to obtain permits. Therefore, fishermen will no longer be burdened by permit costs, especially when they just start the business. Such retribution exemption may attract fishermen who have not had permits to process permits and entering to formal sector. For the local government, there is a loss in revenue from retribution, but a major benefit will also be obtained from the increase in number of fishermen who own permits so control and nurture upon fishermen could be better performed.

By considering the total impact of each option, the third option, i.e. making an exemption of retribution upon all the capture fisheries permits would result in higher benefit obtained compared to the other two options. The third alternate clearly gives major benefit to fishermen. Such benefit is, there is no longer costs spent in obtaining business permit which potentially causing burden upon business people. Therefore, fishermen are no longer be burdened when they start business in capture fisheries and finally could induce other fishermen who have not arranged for their permit to be willing to arrange for it now. In addition, by having more fishermen to arrange for their business permit, the local government will be easier in performing its function to conduct controlling, nurturing, and empowering the fishermen who operate their business in the region. Accurate data regarding existence and conditions of fishermen could be used for preparing such program to protect

fishermen, a protection (security) when they go to sea as well as security when they experience famine period, which are highly expected by the fishermen.

## **II.3.2. RIA Analysis on TPI in Tulungagung and East Belitung**

### **II.3.2.1. Background**

As a region which has sea area, Tulungagung has capture fisheries product amounting to 5008 tons (2011). While in East Belitung, capture fisheries product reached 39007 tons (2011). The number of workers in fisheries sector in Tulungagung is 2026 persons. While in East Belitung, high number of workers involve in capture fisheries, amounting to 6051 persons. Fisheries sector in both regions has contribution to PAD which comes from business permit retribution, retribution on fisheries product sales which is imposed upon capture fisheries as well as cultivation, and TPI and its facilities' retributions. In addition, local government also gets revenues from fisheries' DBH SDA and DAK in fisheries sector.

To support fisheries, local government of each region built TPI as a place where fishermen could obtain reasonable price through open trading activities which are beneficial for both the fishermen and the consumer, i.e. a fish landing place. At TPI, trading process is conducted using open auction system involving some bidder and some seller. After all the fish are recorded for their weight, kinds, and ownership, then an auctioneer starts the auction process. The auction is made openly and with increasing offer. To offer a price, according to the rules it must follow the order arranged by the auctioneer, and it must be higher than the price offered by former bidder. The winner is the bidder with the highest offer.

Using the auction rules, the arrangement is clear that a trading is made based on weight unit and there is a guarantee to obtain reasonable price because the auction is made with a mechanism of increasing offers. In addition, by applying disclosed information it would result in competition within sellers/fishermen and buyers/consumers as well, therefore it would decrease potentials of monopoly by certain parties in selling fish.

### **II.3.2.2. Problem of TPI in Tulungagung and East Belitung**

From field visit activities for case studies of East Belitung and Tulungagung, some information regarding TPI conditions in both regions were obtained, as can be seen in the following Table.

From the result of field visit it is found that in Tulungagung there is a TPI but is not optimally functional. TPI in Tulungagung is merely a place for selling fish, and is not as a place for fish auction

**Table 5. Conditions of Fisheries Sector and TPI in Tulungagung and East Belitung**

FIELD STUDY FINDINGS	TULUNGAGUNG	BELITUNG TIMUR
Numbers of TPI	1 TPI	3 TPI
TPI existence	Exist, but auction system is not functional	Not exist physically, but a similar system with TPI's is still applied
Retribution	Imposition of retribution (2.5%)	Already exempted
Administration Orderliness	Not yet	In good order
Control by related Regional Office	There is control but not effective	Effective
Incentives	Does not receive DAK allotment	Receive DAK allotment, 3 billion (2011), 6 billion (2012))
PAD in fisheries Sector	121 million (2011)	194 million (2011)
Quantity of TPI facilities	Not adequate	None
Quality of TPI facilities	Not good	None

where there is an auction mechanism of fish trade. In addition, fish trade process is also a closed process. Therefore fishermen do not have information on good, profitable price of captured fish which can be used as a reference. Further impact is fishermen have no marketing power and would not obtain a good price.

A different result is found in East Belitung. TPIs are not used although such local regulation arranging TPI is still applicable. From administration orderliness of the TPI, in East Belitung the fishermen do better administration compared to that of Tulungagung. Fishermen in East Belitung make records on capture fish which are sold at TPI autonomously, therefore fisheries products in East Belitung are better monitored. However, control undertaken by government employee (from Fisheries and Oceanic Affairs Regional Office) on data validity conveyed by the traders is not maximal. As a result, the data are not valid and tend to be under estimated. This means that the local government does not have accurate data for use in planning of fisheries sector.

In Tulungagung, traders are still being imposed sale retribution at TPI which amount is 2.5%. While in East Belitung traders are no longer imposed fisheries retribution of any kind. Motivation of cancelling such taxation is to get an incentive, i.e. DAK in oceanic sector. By exempting the taxation, Regional Government of East Belitung has obtained DAK in quite big amount which could be used to develop fisheries in the region.

Some problems arisen related to TPI existence and developed situations of capture fisheries activities are:

1. If there is no TPI, price offering of capture fisheries product will occur between seller and buyer as a closed process, and not through open bidding so that fish production prices could be kept down one-sidedly by buyer/trader;

2. Government's revenue from retribution imposed upon fish auction can not be obtained because there is no fish auction services performed;
3. There is no accurate data on capture fish (fisheries product) in the respective region;
4. If the existing TPI is used, fish auction could not be performed optimally because there will not be any transaction occurrence, since fishermen have objection on taxation they have to bear, while services condition at TPI is not as worth as they have expected;
5. If it is forced, a possible situation is some fishermen and trader would likely make transaction outside TPI location; local government would still receive revenue from fish auction but the amount would not meet the target, and existing facilities would be waste.

### II.3.2.3. Goal

The main goal is to create Fish Landing Places which are fully functional as one of the important facilities needed to increase fishermen's welfare. While the specific goals are:

1. TPI as the center for marketing and distribution of fisheries product, retribution taxation facility for capture fish product, and facility for elucidation and fisheries' data collection;
2. Functioning of auction system at TPI;
3. Main gathering place for fisheries' buyers;
4. Administration orderliness of fish trade records at TPI;
5. Functioning of TPI management institution.

### II.3.2.4. Alternates Actions

To reach all the abovementioned goals, actions could be selected from some alternate options as follows:

Having made analysis on the abovementioned alternates of the twelve options, alternates 1, 3, 5, 6, 10, and 12 are chosen. They are:

**Table 6. Action Alternates (Options)**

ACTION ALTERNATES		
1.	Government expenditure	<ul style="list-style-type: none"> <li>• Direct subsidy (for example credit interest subsidy) from government to fishermen who already have permit with a purpose that fishermen are willing to sell the fish in TPI.</li> <li>• Costs to hire some additional personnel to manage TPI.</li> </ul>
2.	Access to capital	<ul style="list-style-type: none"> <li>• Ease fishermen and trader' access to capital by placing Bank office inside TPI.</li> </ul>
3.	Retribution (user charges)	<ul style="list-style-type: none"> <li>• Impose retribution tariff upon fishermen who use TPI facilities for selling product.</li> </ul>
4.	Use of Means and Facilities	<ul style="list-style-type: none"> <li>• Arrange procedure in utilization of TPI's means and facilities.</li> <li>• Arrange rights and obligations of TPI's users.</li> </ul>
5.	Persuasion	<ul style="list-style-type: none"> <li>• Promote and strengthen TPI's organization/user group.</li> <li>• Education and campaign of TPI's security, cleanliness and orderliness.</li> </ul>
6.	Pricing	Basic price of fisheries at TPI.
7.	Technical Standard of TPI's Facilities	Completeness, safety, and security (extinguisher), procedure of TPI's building and facilities' utilisation.
8.	Performance Standard of TPI's Facilities	Completeness of TPI's support facilities (information center, restroom, praying room, security team, cleaning services, health clinic, clean water, electricity, telephone, etc.).
9.	Supervision of Supplier's going in and out	Only registered fishermen (own permit) can sell fish in TPI.
	Production Process Control:	
10.	a) Technical Standard	Prohibition of selling certain products in TPI (poisonous waste, drugs and prostitution).
	b) Performance Standard	Control on completeness, safety, security and use of TPI's facilities.
11.	Information Control	Control on information regarding trading price and amount of fish brought into TPI.
12.	Selling Price Stabilization	Auction mechanism arrangement to maintain price stabilization.

1. Increasing government budget allocation to hire some additional personnel to manage TPI;
2. Determine retribution tariff based on the use of TPI's kinds of facilities;
3. Nurture traders' organization by conducting education and campaign to improve security, cleanliness, and orderliness in TPI;
4. Arranging availability of standard, pricing in TPI; (kalimat dlm bah Indonesianya ada kata yang hilang)
5. Supervising existence of fishermen possessing permit in TPI;
6. Control on information regarding sale of fish including price, quantity, and amount of fish product as well.

Based on the abovementioned action alternates, alternate options to be analysed through its costs and benefit are further classified as follows:

1. Have no intervention at any kinds upon existing policy;
2. Functioning of TPI, imposing retribution upon fish sale and retribution based on the use of services or facilities in TPI such as vessel mooring, cold storage (if any), car parking;
3. Functioning of TPI by exempting retribution

upon sale, but use of facilities and services in TPI should still be arranged by the local government.

### II.3.2.5. Analysis of Cost and Benefit for TPI in Tulungagung and East Belitung

Since pattern of benefit and costs resulted from each option are relatively similar and consistent, analysis of benefit and cost is made by calculating benefit and yearly cost (average). In such analysis, it is not necessary to make a discount in RIA process in order to obtain a present value. The best option is the one that provides highest results in benefit/yearly cost (average).

Cost and Benefit Analysis of Option 2 and Option 3: Functioning of TPI, imposing retribution based on the use of services or facilities in TPI such as vessel mooring, cold storage (if any), car parking (option 2). Functioning of TPI, exempting retribution based on the use of services or facilities in TPI such as vessel mooring, cold storage (if any), car parking (option 3).

For option 2 of Tulungagung, net measurable benefit obtained is Rp. 0,- while other unmeasurable

Table 7. RIA Analysis for TPI in Tulungagung

No	Benefit/Cost	Benefit/Cost Receiver	Indicator	Estimated Value of Option 2	Estimated Value of Option 2
<b>A Benefit</b>					
1	Revenues received from retribution upon TPI's business services	Local government	TPI retribution		
	Retribution upon car parking			Rp. 26.400.000,-	Rp. 26.400.000,-
	Retribution upon vessel mooring			Rp 227.304.000,-	Rp 227.304.000,-
	Retribution upon fish sale			Rp. 126.531.750,-	(-) Rp. 126.531.750,-
2	Shopping comfort (TPI is not disorderly)	Consumer	Unmeasurable	(+) High	(+) High
3	Fair business competitiveness	Trader/ Fishermen	Unmeasurable	(+) High	(+) High
4	Availability of fisheries' data	Local government	Unmeasurable	(+) High	(+) High
5	Retribution exemption incentives	Local government	Incentives in the form of DAK	Rp. 0,-	Rp. 3.000.000.000,-*
6	Stable price	Trader/ Fishermen & Consumer	Unmeasurable	(+) High	(+) High
7	Disclosed market information	Trader & Fishermen	Unmeasurable	(+) High	(+) High
<b>Measurable total benefit of Tulungagung</b>				<b>Rp. 380.235.750,-</b>	<b>Rp. 3.127.172.250,-</b>
<b>Unmeasurable total benefit of Tulungagung</b>				<b>3(+) Major</b>	<b>3(+) Major</b>
<b>B Costs</b>					
1	Operational cost of TPI management	Local government	Operational cost	Not measured	Not measured
2	Tax and retribution costs	Trader/ Fishermen	Tax and retribution costs increase		
	Car parking retribution			(-) Rp. 26.400.000,-	(-) Rp. 26.400.000,-
	Vessel mooring retribution			(-) Rp 227.304.000,-	(-) Rp 227.304.000,-
	Fish sale retribution			(-) Rp. 126.531.750,-	Rp. 0,-
3	Costs for provision of TPI's facilities	Local government	Costs for provision of TPI's facilities increase	Not measured	Not measured
4	Costs to access TPI	Consumer	Costs to access TPI	Not measured	Not measured
<b>Measurable total costs of Tulungagung</b>				<b>(-) Rp. 380.235.750,-</b>	<b>(-) Rp. 253.704.000,-</b>
<b>Unmeasurable total costs of Tulungagung</b>				<b>(.) Neutral</b>	<b>(.) Neutral</b>
<b>Net Measurable Benefit of Tulungagung</b>				<b>Rp. 0,-</b>	<b>Rp. 2.873.468.250,-</b>
<b>Net Unmeasurable Benefit of Tulungagung</b>				<b>3(+) Major</b>	<b>3(+) Major</b>

\*) DAK incentive obtained is assumed to be the same as that obtained by East Belitung

**Table 8. RIA Analysis for TPI in East Belitung**

No	Benefit/Cost	Benefit/Cost Receiver	Indicator	Estimated Value of Option 2	Estimated Value of Option 2
<b>A</b>	<b>Benefit</b>				
1	Revenues received from retribution upon TPI's business services	Local government	TPI retribution		
	Retribution upon car parking			Rp. 31.680.000,-	Rp. 31.680.000,-
	Retribution upon fish sale			Rp. 2.475.000.000,-	(-) Rp. 2.475.000.000,-
	Retribution upon vessel mooring			Rp. 579.348.000,-	Rp. 579.348.000,-
2	Shopping comfort (TPI is not disorderly)	Consumer	Unmeasurable	(+) High	(+) High
3	Fair business competitiveness	Trader/ Fishermen	Unmeasurable	(+) High	(+) High
4	Availability of fisheries' data	Local government	Unmeasurable	(+) High	(+) High
5	Retribution exemption incentives	Local government	Incentives in the form of DAK	Rp. 0,-	Rp. 3.000.000.000,-*
6	Stable price	Trader/Fishermen & Consumer	Unmeasurable	(+) High	(+) High
7	Disclosed market information	Trader & Fishermen	Unmeasurable	(+) High	(+) High
<b>Measurable total benefit of East Belitung</b>				<b>Rp. 3.086.028.000,-</b>	<b>Rp. 1.136.028.000,-</b>
<b>Unmeasurable total benefit of East Belitung</b>				<b>3(+) Major</b>	<b>3(+) High</b>
<b>B</b>	<b>Costs</b>				
1	Operational cost of TPI management	Local government	Operational cost		
	a. Tulungagung		Costs increase	Not measured	Not measured
	b. Belitung Timur		Costs increase	Not measured	Not measured
2	Tax and retribution costs	Trader/ Fishermen	Tax and retribution costs increase		
	Car parking retribution			(-) Rp. 31.680.000,-	(-) Rp. 31.680.000,-
	Vessel mooring retribution			(-) Rp. 579.348.000,-	(-) Rp. 579.348.000,-
	Fish sale retribution			(-) Rp. 2.475.000.000,-	Rp. 0,-
3	Costs for provision of TPI's facilities	Local government	Costs for provision of TPI's facilities increase	Not measured	Not measured
4	Costs to access TPI	Consumer	Costs to access TPI		
	a. Tulungagung			Not measured	Not measured
	b. Belitung Timur			Not measured	Not measured
<b>Measurable total costs of Tulungagung</b>				<b>(-) Rp. 380.235.750,-</b>	<b>(-) Rp. 253.704.000,-</b>
<b>Unmeasurable total costs of Tulungagung</b>				<b>(.) Neutral</b>	<b>(.) Neutral</b>
<b>Net Measurable Benefit of Tulungagung</b>				<b>Rp. 0,-</b>	<b>Rp. 2.873.468.250,-</b>
<b>Net Unmeasurable Benefit of Tulungagung</b>				<b>3(+) Major</b>	<b>3(+) Major</b>

benefits are also obtained, such as improvement of TPI's condition, price assurance, availability of business competitiveness data, consumer's shopping comfort, and so on. It can be seen that by imposing sale retribution in TPI, fishermen would also be burdened. Therefore, in its totality benefit and costs in Tulungagung would be valued same. While for option 3 net measurable benefit obtained by Tulungagung is amounting to Rp. 2.873.468.250,- and unmeasurable benefits are also obtained such as improvement of TPI's condition, price assurance, availability of business competitiveness data, consumer's shopping comfort, and so on). The highest measurable benefit is received from DAK incentive as a compensation for having exempted retribution on fish product sale. Another impact of sale retribution exemption the fishermen get higher benefit since they are no longer burdened by taxation imposed upon sale retribution.

For East Belitung, from option three, net measurable benefit obtained is amounting to Rp. 525.000.000,- , while other unmeasurable benefits are also obtained, such as improvement of TPI's condition, price assurance, availability of business competitiveness data, consumer's shopping comfort, and so on. This situation is better compared to that of option two implementation, since benefit received by East Belitung in option two is lower than net benefit from option three implementation, in particular that comes from measurable benefit (Rp. 0,-). In fact, by implementing option three, Local government of East Belitung would lost revenues from exemption of retribution on fish sales amounting to Rp. 2.475.000.000,-, however, on the other side, fishermen get benefit from the retribution exemption, since such burden imposed from retribution implementation is now exempted and would become their profit on fish sales.

From the two regions studied, it can be seen that by implementing option 3, both regions gain higher benefit from measurable as well as unmeasurable benefits.

However, by exempting retribution, there would be benefit gained by fishermen, i.e. exemption of retribution burden. On the other hand, for East Belitung local government, although there is a loss in revenues from retribution on sales, but a compensation in the form of DAK incentive in oceanic sector would be received mounting to three billion Rupiahs. As a result, there is still benefit received from option 3 implementation. By considering analysis made upon options, it is appropriate if option 3 is taken, that is 'Refunctioning of TPI by exemption of sales retribution, and arrangement for the use of facilities and services provided in TPI to be held by Local Government are valued as suitable for application' by the two regions.

### **II.3.2.6. Implementation Strategy to Optimize TPI Use**

To optimize the use of TPI, implementation strategies which should be considered are:

- a. Improvement in TPI supervisors' welfare;
- b. The organization structure and main duties and functions of TPI Management must be clear;
- c. TPI to be managed as the region's business unit in the form of cooperatives or BUMD;
- d. TPI in each region to be managed by one management unit;
- e. Enforcement of TPI's local regulation function as an arrangement instrument, means that the local regulation's function is to regulate auction system implemented in TPI, information assurance regarding price and availability of facilities and other means. ■

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## III. CONCLUSION AND RECOMMENDATION

### III.I Conclusion

From the above explanation there are some points need to be paid attention:

1. There are still local regulations regarding fisheries taxation and permits which have not included higher ranks' sectoral regulations such as Law No. 31/2004 and Government Regulation No. 54/2002;
2. Local government is more likely to make such regulation which has taxation character in order to increase PAD. This can be seen from the fact that 17% of fisheries' local regulations analyzed are local regulations with taxation character;
3. Permits needed in fisheries business are many (about five permits in capture fisheries business), this is not included those issued by central government (three permits). Amongst the permits there are some which are overlapping;
4. Divided Revenue Funds (DBH) has a potential to cause double taxation with the region's retribution and therefore is against the justice principle. This is because DBH sources which come from Fisheries Business Taxation (PPP) and Fisheries Product Taxation (PHP) are in principle similar with SIUP, SIKPI, SIPI which are also imposed in the region.
5. In Tulungagung and East Belitung, existence of TPI is not fully functional. For East Belitung, TPI physically is no longer exists but record system used in the TPI is still used by the fishermen here. While in Tulungagung, TPI physically exists but the system used does not reflect a TPI system in totality.
6. There is still inaccurate data regarding fisheries product at TPI in Tulungagung, therefore fisheries product of TPI in Tulungagung can not

be measured.

7. The condition of TPI's auction system being not functioning has resulted in fishermen's not obtaining the expected price of the fish (being as the price taker), therefore fishermen do not gain profit from the fish sales.

### III.2 Recommendation

1. It is important to issue such local regulations which pay more attention on central and sectoral stipulations. For example, for local regulation regarding TPI, it should take into consideration the Government Regulation regarding harbor affairs.
2. Simplification of fisheries' business permit. Such simplification of fisheries' business permit will combine various permits into one permit.
3. Exemptions of retribution upon all business permits and retribution upon fish sales in TPI.
4. Empowerment of Fishermen's Cooperatives (in fisheries) would be an alternate when fishermen need some capital to support production costs.
5. Enforcement of Local Regulation's function as an instrument to arrange implementation of auction system in TPI, and as assurance of information regarding price and availability of facilities and other means. By issuance of such local regulation as legal umbrella in TPI, fishermen could obtain expected price through implementation of the auction system in TPI. For buyer or consumer, the local regulation would guarantee quality as well as quantity of TPI's facilities.
6. Refunctioning of TPI by exemption of sales retribution, while arrangement for the use of facilities and services in TPI is still held by the Local Government (be charged). ■

**ATTACHMENT I.****Calculation of benefit – cost of RIA at TPI in Tulungagung and East Belitung**

B E N E F I T	
<b>A. Retribution upon Car Parking:</b>	
<b>Tulungagung</b>	
● Parking retribution	Rp. 2000,-/car
● TPI operating days/month	22 days
● Total Retribution	Rp. 2000,- x 50 x 22 days x 12 months = Rp. 26.400.000,-
<b>East Belitung</b>	
● Parking retribution	Rp. 2000,-/car
● TPI operating days/month	22 days
● Total Retribution	Rp. 2000,- x 60 x 22 days x 12 months = Rp. 31.680.000,-
<b>B. Retribution upon Fish Sales</b>	
<b>Tulungagung</b>	
● Production 2011	843.545 Kg (Data source: DKP Beltim)
● Retribution tariff	2.5%
● Fish price per Kg	Rp. 6000,- (middle value)
● Total Retribution	843.545 Kg x 2.5% x Rp. 6.000,-/Kg = Rp. 126.531.750
<b>East Belitung</b>	
● Production 2011	33.000.000 Kg
● Retribution tariff	2.5%
● Fish price per Kg	Rp. 6000,- (middle value)
● Total Retribution	33.000.000 Kg x 2.5% x Rp. 6.000,-/Kg x 50%* = Rp. 2.475.000.000
<b>C. Retribusi upon Vessel Mooring</b>	
<b>Tulungagung</b>	
● Sailing duration per month	22 days
● Number of ships	574 Unit
● Retribution tariff	Rp. 1500/ship/mooring
● Total Retribution/day	574 x Rp. 1.500,- = Rp. 861.000,-
● Total Retribution per year	Rp. 861.000,- x 22 days x 12 months = Rp 227.304.000
<b>East Belitung</b>	
● Sailing duration per month	22 days
● Number of ships	1463 Unit
● Retribution tariff	1500/ship/mooring
● Total Retribution/day	1463 x Rp. 1.500 = Rp. 2.194.500,-
● Total Retribution per year	Rp. 2.194.500,- x 22 days x 12 months = Rp. 579.348.000

\*) Number of production capacity entering TPI before retribution exemption

## LAMPIRAN II.

### Daftar Perda yang di Analisis

PROVINCE	REGENCY/CITY	REGULATION	TITLE
Belitung	East Belitung	Local Reg No.10/2012	Fisheries Business Permit
Central Java	Batang	Local Reg No. 4/2009	Retribution upon Fish Landing Place
Central Java	Batang	Local Reg No.4/2010	Retribution upon Fisheries' Business Permit
Bengkulu	South Bengkulu	Local Reg No. 4/2011	Retribution upon Certain Permit
East Kalimantan	Berau	Local Reg No. 1/2012	Retribution upon Harbor Affairs Services
East Kalimantan	Berau	Local Reg No. 4/2012	Retribution upon Fisheries Business Permit
East Kalimantan	Berau	Local Reg No. 5/2012	Retribution upon Fish Landing Place
South Kalimantan	North Hulu Sungai	Local Reg No.40/2011	Retribution upon Harbor Affairs Services
South Kalimantan	North Hulu Sungai	Local Reg No.47/2011	Retribution upon Region's product sales
South Kalimantan	North Hulu Sungai	Local Reg No. 2/2010	Fisheries Business Permit and Record Marking on Research Activities
Riau	Indragiri Hilir	Local Reg No.25/2010	Retribution upon Fisheries' Business Permit
Riau	Indragiri Hilir	Local Reg No. 7/2011	Retribution upon Harbor Affairs Services
East Java	Lamongan	Local Reg No. 6/2010	Retribution upon Harbor Affairs Services
East Java	Lamongan	Local Reg No.19/2010	Retribution upon Fish Landing Place
East Java	Lamongan	Local Reg No.27/2010	Retribution upon Fisheries' Business Permit
Aceh	Pidie	Local Reg No.34/2011	Retribution upon Fisheries' Business Permit
South Kalimantan	Tapin	Local Reg No. 8/2011	Retribution upon sales of region's business product of Local Fisheries Greenhouse (local BBI)
North Sumatera	Padang Sidempuan City	Local Reg No. 6/2010	Retribution upon Certain Permit
South Sumatera	Palembang City	Local Reg No.11/2011	Nurture & Retribution upon Fisheries' Business Permit
South Sumatera	Palembang City	Local Reg No.28/2011	Retribution upon region's business product sales
North Maluku	Ternate City	Local Reg No.19/2011	Retribution upon Fish Landing Place
North Maluku	Ternate City	Local Reg No.22/2011	Retribution upon Harbor Affairs Services
North Maluku	Ternate City	Local Reg No.25/2011	Retribution upon Fisheries' Business Permit
Jawa Barat	Cirebon City	Local Reg No. 5/2011	TPI Implementation and Retribution
Bangka Belitung	South Bangka	Local Reg No.30/2011	Retribution upon Harbor Affairs Services
Bangka Belitung	South Bangka	Local Reg No.36/2011	Retribution upon region's business product sales
Bangka Belitung	South Bangka	Local Reg No.40/2011	Retribution upon Fisheries' Business Permit
West Nusatenggara	Bima	Local Reg No.4/2011	Retribution upon business services
West Papua	Fak-Fak	Local Reg No. 4/2011	Retribution upon business services
South East Sulawesi	Kolaka	Local Reg No. 5/2011	Retribution upon business services
Banten	Lebak	Local Reg No. 3/2009	Retribution upon Fisheries' Business Permit
West Java	Kuningan	Local Reg No.16/2010	Retribution upon Certain Permit
East Nusatenggara	Saburajua	Local Reg No.26/2011	Retribution upon business services
West Kalimantan	Sambas	Local Reg No.10/2011	Retribution upon business services
Aceh	Aceh Jaya	Qanun No. 4/2009	Retribution upon Fisheries' Business Permit

Aceh	Aceh Jaya	Qanun No. 8/2009	Tax upon fisheries' business product
Aceh	Aceh Tamiang	Qanun No. 19/2011	Retribution upon Fisheries' Business Permit
South Sumatera	Prabumulih City	Local Reg No. 4/2011	Retribution upon business services
Bali		Local Reg No. 6/2011	Retribution upon Certain Permit
Yogyakarta		Local Reg No.13/2011	Retribution upon Certain Permit
South Kalimantan	Banjar	Local Reg No. 8/2011	Retribution upon Certain Permit
Riau Archipelago	Karimun	Local Reg No. 9/2011	Region's Retribution
West Kalimantan	Kapuas Hulu	Local Reg No.14/2011	Retribution upon fish auction
Central Java	Kebumen	Local Reg No.15/2010	Management of fisheries' auction place
Central Java	Kebumen	Local Reg No.20/2010	Retribution upon auction place
West Kalimantan	West Waringin	Local Reg No.12/2012	Retribution upon Harbor Affairs Services
West Kalimantan	Kapuas Hulu	Local Reg No.14/2011	Retribution upon fisheries' auction place
West Kalimantan	Kubu Raya	Local Reg No.16/2010	Retribution upon Harbor Affairs Services
North Sumatera	Nias Utara	Local Reg No. 3/2012	Region's Retribution
Central Java	Pemalang	Local Reg No.10/2009	Management of fisheries' auction place
Central Java	Purworejo	Local Reg No. 4/2012	Management of fisheries' auction place
Central Java	Purworejo	Local Reg No. 7/2012	Retribution upon auction place
Riau	Siak	Local Reg No.15/2010	Retribution upon Harbor Affairs Services
Riau	Siak	Local Reg No.23/2011	Retribution upon region's business product sales
Aceh	Simeleu	Local Reg No. 5/2009	Retribution upon Harbor Affairs Services
Jambi	West Tanjung Jabung	Local Reg No. 8/2011	Retribution upon business services
Jambi	West Tanjung Jabung	Local Reg No.10/2009	Retribution upon waters-and harbor/pier facilities services
West Java	Indramayu	Local Reg No. 2/2009	Implementation of fisheries' auction place
West Java	Indramayu	Local Reg No. 5/2009	Retribution upon fisheries' auction place
West Java	Sumedang	Local Reg No. 4/2011	Retribution upon business services
Central Java	Cilacap	Local Reg No. 7/2009	Retribution upon fisheries' auction place
Central Java	Demak	Local Reg No. 7/2010	Retribution upon fisheries' auction place
Central Java	Jepara	Local Reg No. 1/2010	Management of fisheries' auction place
Central Java	Jepara	Local Reg No. 8/2010	Retribution upon fisheries' auction place
Central Java	Jepara	Local Reg No.10/2011	Retribution upon harbor affairs services
Central Java	Tegal	Local Reg No. 1/2010	Management of fisheries' auction place
Central Java	Temanggung	Local Reg No.11/2011	Retribution upon region's business product sales in fisheries sector
Central Java	Pekalongan City	Local Reg No.12/2009	Fisheries auction Place
East Java	Pamekasan	Local Reg No. 7/2010	Implementation and retribution upon fisheries auction
Central Kalimantan	Sukamara	Local Reg No.10/2010	Retribution upon business services
Central Kalimantan	Sukamara	Local Reg No.11/2010	Retribution upon Certain Permit
West Nusatenggara	Sumbawa	Local Reg No. 2/2012	Retribution upon business services
West Nusatenggara	Sumbawa	Local Reg No. 3/2012	Retribution upon Certain Permit
Central Sulawesi	Palu City	Local Reg No. 7/2011	Retribution upon business services
Central Sulawesi	Makassar City	Local Reg No.13/2011	Retribution upon business services
East Java	Kediri City	Local Reg No. 8/2009	Retribution upon region's business product sales
East Kalimantan	Balikpapan City	Local Reg No.10/2011	Retribution upon business services
East Java	Tulungagung	Local Reg No.12/2010	Management of fisheries and oceanic affairs business



*Komite Pemantauan Pelaksanaan Otonomi Daerah  
Regional Autonomy Watch*

Permata Kuningan Building 10<sup>th</sup> Fl.  
Guntur Setiabudi, Jakarta Selatan 12980  
Phone: +62 21 8378 0642/53, Fax.: +62 21 8378 0643