

The Effect of BPH MIGAS Leadership, Coordination, Control by and Public Participation on Subsidized Diesel Fuel Service in North Jakarta

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Abstract- This research concerns the poor service quality of subsidized fossil fuel in Indonesia that has not yet met public expectations. On the other hand, the spirit of good governance requires the involvement of third party actors (non government) to respond to public issues. To address this requirement, good governance should be promoted in all development aspects, including subsidized fossil fuel services run by Badan Pengatur Hilir Minyak dan Gas Bumi - the State Downstream Oil and Gas Regulator (BPH Migas).

This research aims to analyze the effect of BPH Migas leadership, coordination and supervision and public participation on the service quality of subsidized diesel fuel in North Jakarta. Samples were collected from 300 respondents using the proportionate stratified random sampling method. This research used quantitative method, data were collected using Likert scale questionnaire, literature research, document analysis and observations. The collected data were analyzed using validity, reliability, normality, linearity, and F and T tests, simple and multiple linear regressions.

The research result shows the presence of ineffective leadership, the absence of control and communication pattern synchronization for the coordination in delivering

the services, the ineffective preventive supervision and inspection, as well as lack of public participation in the monitoring and assessment, response to complaint and criticism raised by the public as top priority that should be satisfied by BPH Migas which has not been fulfilled satisfactorily by the agency. This research makes recommendation on the needs for transparent and visionary leadership, control and communication pattern synchronization in the coordination, preventive supervision and inspection, allowing more space for public participation to watch and assess service quality.

Index Terms— leadership, coordination, supervision, participation, service quality.

I. BACKGROUND

One of the mandates contained in the preamble of the 1945 Constitution is to improve public welfare. Public welfare is improved through national development of various fields including energy, oil and gas for the maximum prosperity of the people. This constitutional mandate is set forth in Article 33 paragraph (3) of the 1945 Constitution stating that the land, the waters and the natural resources within shall be under the powers of the State and shall be used to the greatest benefit of the people.

To improve public welfare the 1945 Constitution also mandates the State to serve all citizens and residents so they can meet their basic needs for better life based on the principles of good governance and democracy. All public interests should be managed by the government especially the fulfillment of civil rights and basic needs that affect the life of the people shall be managed in accordance with the constitutional mandate.

The level of service quality has enormous impact on a wide variety of life especially in the pursuit of public welfare. Therefore efforts to improve public service must be performed continuously and sustainably. Efforts to improve service quality must be implemented simultaneously, well organized, targeted, and consistently with due observance to the public needs and expectations.

One of public services that is run by the government is energy. Mining and energy reforms have been undertaken solely to improve services especially oil and gas to deliver more effective services, and accessible by all levels of the society. Oil and gas is the basic needs of all Indonesian people in their day-to-day life so cost effective and quality oriented provision of public service in the field of oil and gas is imperative. To date oil is still one of the largest contributors to Indonesia's foreign exchange receipt and still become the country's vital industry in fact for the world.

The 1945 Constitution is the philosophical foundation of oil and gas mining development to exploit the existing and any potential oil and natural gas reserve optimally to support sustainable national development. Based on this constitutional foundation the government passed Law No. 22 Year 2001 on Oil and Gas (Law 22/2001) to establish an independent, reliable, transparent, competitive, efficient and environmentally friendly oil and gas business and encourage the improvement of national potency and role. Under Law 22/2001 oil and gas operations are divided into upstream and downstream business. The upstream activities are regulated by the upstream oil and gas regulator (BP MIGAS) and the downstream activities are regulated by the Downstream Oil and Gas Regulator (BPH MIGAS).

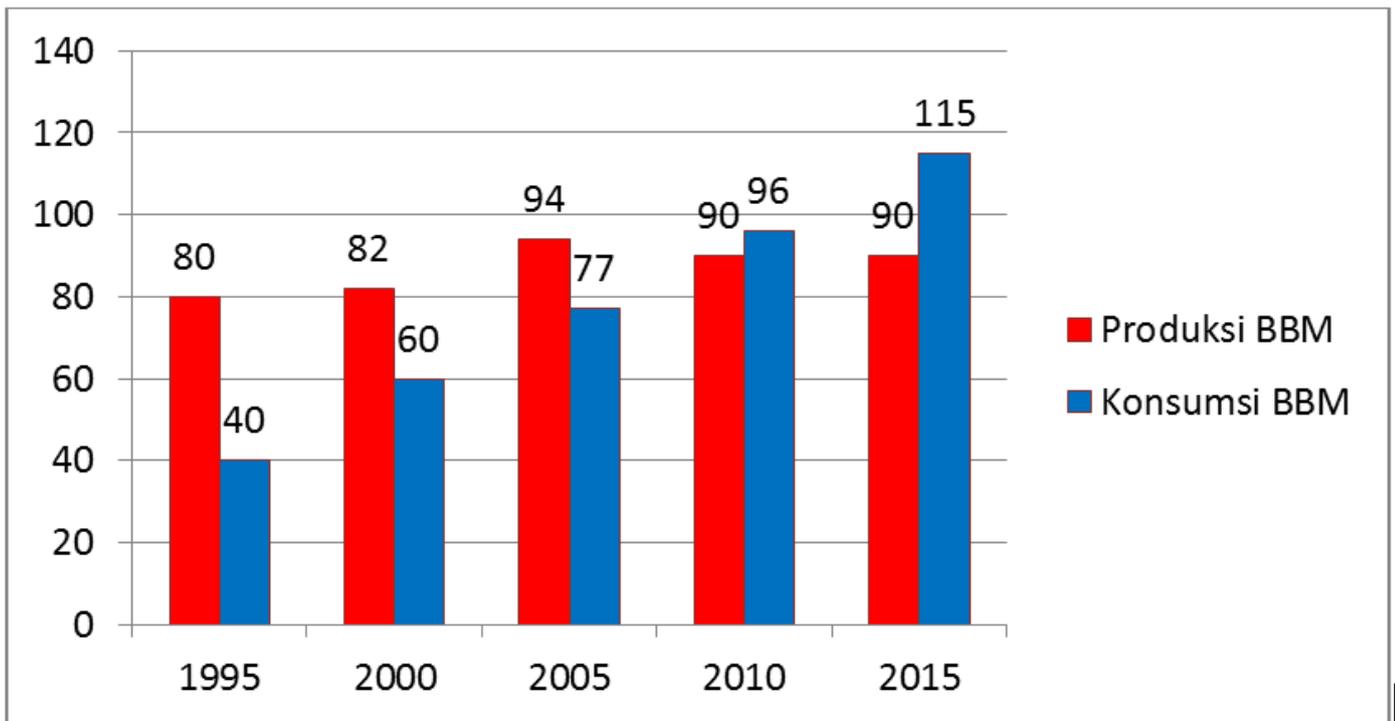
Prior to the establishment of BPH MIGAS and since 1971 oil and gas activities were regulated by state oil company Pertamina pursuant to Law No.8/1971 on State Mining and Oil and Gas Company (Law 8/1971). According to the existing law, oil and gas activities are divided into upstream and downstream oil and gas operations.

As outlined in Law 22/2001, downstream oil and gas operations focus and consist of processing, transportation, storage, and / or commercial activities which are run based on reasonable, fair, and transparent market competition mechanism. Nevertheless, the Government remains liable to ensure the availability and smooth fossil fuel supply and distribution as vital commodity and controls the life of the people throughout the country, and regulates natural gas transmission activities through pipelines such that all users can consume the same as well as promotes natural gas exploitation in the country.

In performing its regulatory and supervisory responsibility of fuel supply and distribution and gas transmission activity through pipelines to guarantee the availability and uninterrupted fuel supply and distribution nationally and promote natural gas exploitation in the country, the Government has established an independent agency called Badan Pengatur Penyediaan dan Pendistribusian BBM dan Kegiatan Usaha Pengangkutan Gas Bumi Melalui Pipa (Fuel Supply and Distribution and Gas Transmission Activity Through Pipeline Regulator (Government Regulation No. 67 of 2002 as revised by Government Regulation No. 49 of 2012 on Downstream Oil and Gas Regulator and Presidential Regulation No.86 of 2002 as revised by Presidential Regulation No. 45 of 2012). Currently, the agency is called Badan Pengatur Hilir Minyak dan Gas Bumi – the State Downstream Oil and Gas Regulator (BPH MIGAS). To implement the provisions of Law 22/2001 especially the downstream oil and gas activities the Government has passed Government Regulation No.36 of 2004 as revised by Government Regulation No. 30 of 2009.

It is the duty of BPH MIGAS to control fuel supply and distribution and gas transmission activities through pipelines under such management system so that fuel availability and distribution set by the government can be guaranteed nationally and promote natural gas exploitation in the country.

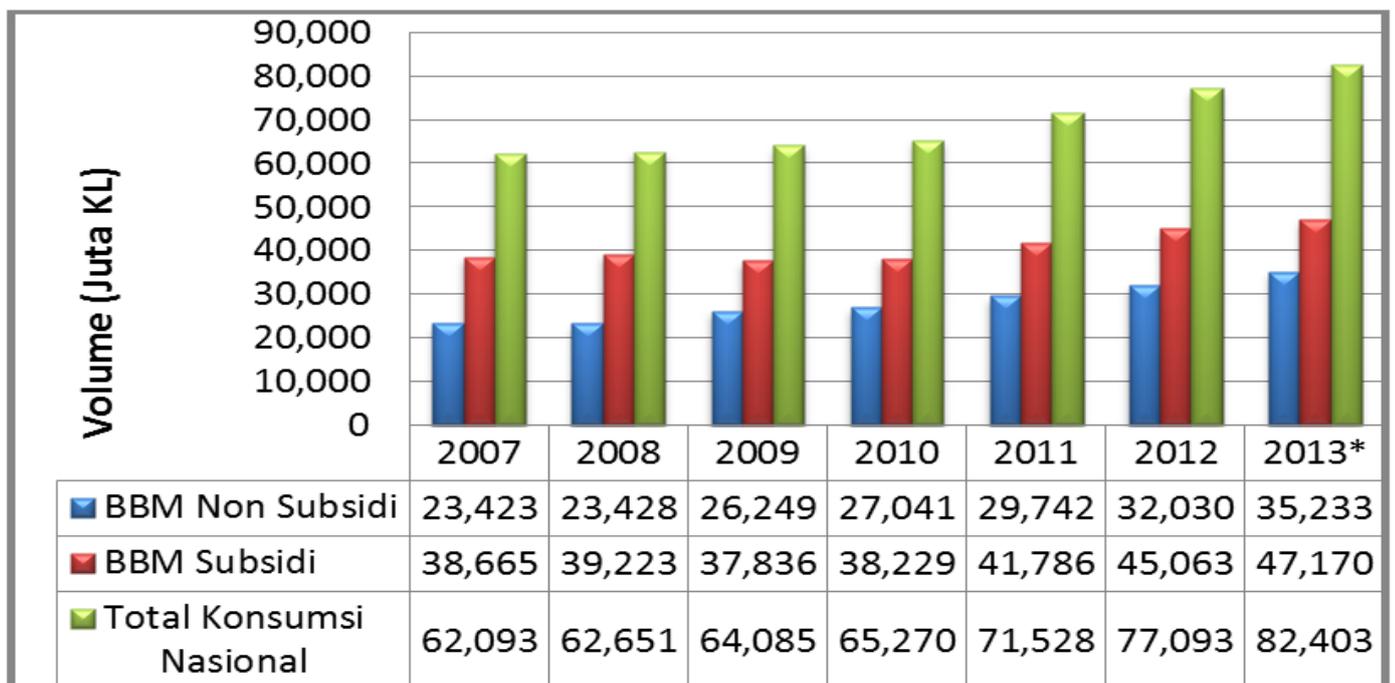
BPH MIGAS is responsible to provide public services in the field of oil and gas through organization, establishment and control the availability and distribution of subsidized and non-subsidized fossil fuel nationally, including in North Jakarta. Subsidized fuel includes premium gasoline, automotive diesel oil, fuel oil (FO) and kerosene. Other items not mentioned above are categorized as non-subsidized fuel such as low octane gasoline, industry diesel oil, aviation gasoline and aviation turbo gasoline.



Source: World Energy Service 1995
 Fig. 1. Fuel Production and Consumption per year in Indonesia from 1995 to 2015

The figure above shows that during 1995-2005 fuel production had constant increase but since 2010 it could not meet the rise of demand which exceeded the supply. During 2013, Indonesia's oil production only reached 826,000 barrels per day in average minus 15% for Production Sharing Contract (PSC). The State is only eligible to 600,000 barrels per day for processing in the refinery to become fuel products. And from 600,000 barrels only 500,000 barrels that can be processed by the existing refineries and the remaining are exported due to

limited capacity of the refinery or the oil does not meet the refinery's specifications such as condensate for export. Indonesia's oil refining capacity is less than 1 million barrels due to their old age. As commonly known, domestic consumption of fuel per day reaches 1.4-1.5 million barrels per day while domestic fuel production is only 600,000 barrels meaning that fuel import reach approximately 1 million barrels per day. (Source: Berita SKK Migas, 2013).



*Projection based on actual fuel production until September 2013.
 Source: BPH MIGAS 2013.

Fig. 2. National Fuel Consumption Year 2007-2013

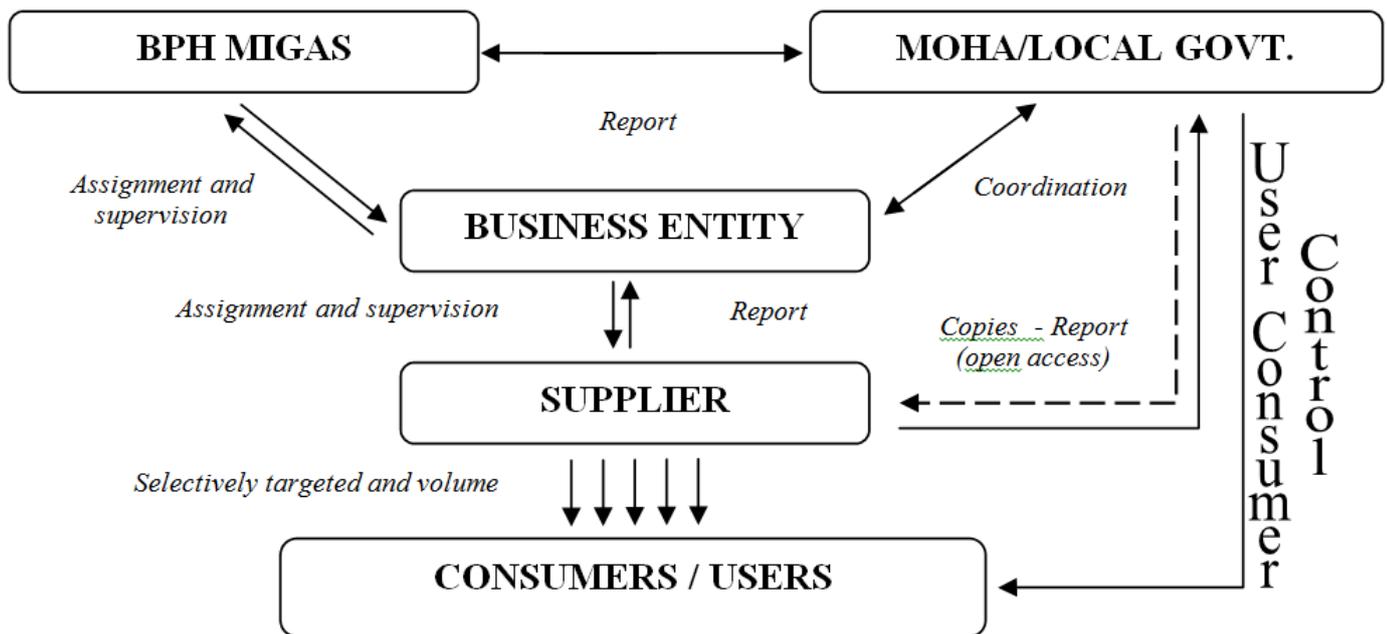
The increase of fuel subsidies from year to year has forced the government through BPH Migas to control subsidized fuel to be selectively targeted to users through the designated companies. In 2012 the government appointed the following companies to supply fuel, namely PT. Pertamina (99.64%), PT. AKR (0.23%), PT. SURYA PARNA NIAGA (0.08%) and PT. PETRONAS INDONESIA (0.05%). As of 2013 PT. PETRONAS INDONESIA is no longer appointed.

Based on researcher's preliminary observations, the common issue of subsidized fuel service is complaint and criticism raised by the public regarding increasing illegal use of subsidized fuel that has been even more complicated. High price disparity between subsidized and non-subsidized fuel creates an opportunity by some persons to benefit by illegally

using subsidized fuel in any method, such as adulteration, hoarding and smuggling. The illegal use of subsidized fuel has been committed systematically and in well organized manner

In this research the importance of quality service of subsidized diesel fuel is examined because of significant price disparity between subsidized and non-subsidized diesel fuel that have caused many problems in its course. There are factors that affect service quality of subsidized diesel fuel whether individual and institutional factors.

These problems, following observation, are caused by the factors of leadership, coordination, supervision and public participation as the form of control of subsidized diesel fuel service.

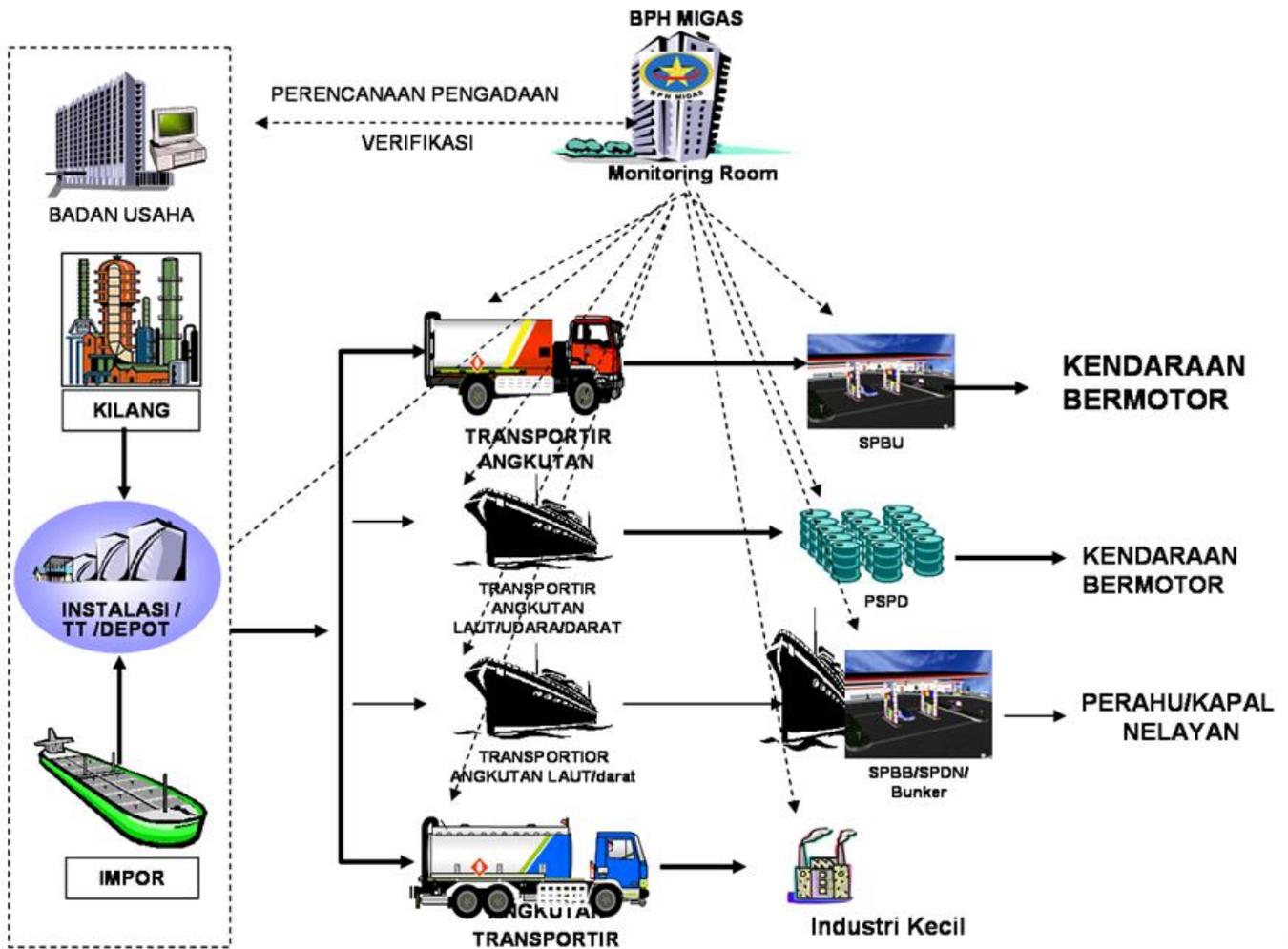


Source: BPH Migas 2013

Fig. 3. Control and Verification of Subsidized Fuel Distribution

Therefore, the service quality of subsidized diesel fuel is determined, among other things, by monitoring and inspecting measures of BPH MIGAS activities to ensure the achievement of objectives set. Supervision can assess the extent to which the

principle of efficiency has been implemented on the results of measures performed by BPH Migas. Effective supervision will help organizing the work to be performed satisfactorily.



Source: www.bphmigas.go.id , 2013.

Fig. 4. Distribution Control of Subsidized Fuel Scheme

Problem Identification

Factors that affect the service quality of subsidized fuel particularly in North Jakarta are as follows:

1. Lack of BPH Migas proactive response to the existing situation and condition that affects service quality.
2. Lack of BPH Migas response to complaints raised by the public and existing problems resulting in non satisfactory service.
3. Ineffective coordination system among relevant agencies, such as the police, armed forces and among relevant agencies in the area.
4. Different perspectives and targets of each stakeholder to achieve goal resulting in less effective coordination.
5. Complex problems and vast coverage. Not to mention the limited number of facilities and infrastructure.
6. Poor law enforcement by law enforcement officials especially in the punishment of illegal use of subsidized fuel.
7. Minimum socialization of subsidized fuel causing poor public participation that results in poor service quality.
8. Ineffective public participation because the existing service policy has not been fully understood by government officials and the public.

9. Lack of technical qualification or competencies that should be demonstrated by personnel in service sector.
10. Many complaints raised by the public regarding illegal use of subsidized fuels that require more serious follow up.

Problem Formulation

Problems formulated in this research are as follows:

1. To what extent does BPH MIGAS leadership affect subsidized diesel fuel service in North Jakarta?
2. To what extent does BPH MIGAS coordination affect subsidized diesel fuel service in North Jakarta?
3. To what extent does BPH MIGAS supervision affect subsidized diesel fuel distribution service in North Jakarta?
4. To what extent does public participation affect subsidized diesel fuel service in North Jakarta?
5. To what extent do BPH MIGAS leadership, coordination, supervision and public participation altogether affect subsidized diesel fuel service in North Jakarta?

Research Objective

The objective of this research is:

1. Analyzing the effect of BPH Migas leadership on subsidized diesel fuel service in North Jakarta.
2. Analyzing the effect of BPH Migas coordination on subsidized diesel fuel service in North Jakarta.
3. Analyzing the effect of BPH Migas supervision on subsidized diesel fuel service in North Jakarta.
4. Analyzing the effect of public participation on subsidized diesel fuel service in North Jakarta.
5. Analyzing the effect of leadership, coordination and supervision of BPH Migas and public participation altogether on subsidized diesel fuel service in North Jakarta.

Another objective would be whether the presumption that these 5 (five) variables are conceptually new findings and practical implication of this research on subsidized diesel fuel service in North Jakarta that can be used as reference for similar research in the future.

Frame of Reference

In an organization a leader serves not only as an object in pursuing its goals but also serves as subject or actor. A leader assumes great role and responsibilities to his/her subordinates and the quality of service. According to Kouzes and Posner (2007:3), leadership is the creation of method by person to contribute in achieving something extraordinary. Organization leader must have certain more superior qualifications than his/her subordinates.

As commonly known, organization’s success and failure to achieve its vision and mission is ultimately dependent on coordination. In this sense, coordination is intended to deliver subsidized fuel quality service. According to Terry in Hasibuan (2007:85), coordination is a synchronous and regular effort to allocate accurate amount and time and direct actions to produce uniform and harmonious action on target set. In addition, supervision is definitely required to achieve subsidized fuel quality service. According to Sule and Saifullah (2005:317) supervision is a process of setting up performance indicators and taking actions to support the achievement of the expected results in accordance with the performance indicators set.

In addition to role of effective leadership, coordination and supervision, public participation is also needed to achieve quality service of subsidized fuel. Quality service of subsidized fuel would depend on public participation in the sense that the service must be carried out in conjunction with public participation.

Service quality is one of important elements that must exist in a service company. This is because service quality is one of tools used for measuring organization performance. Generally, service improvement can be defined as excellent service or service quality for service users. Good service quality will create satisfaction. This means that satisfactory quality will reflect image.

Based on the foregoing, the frame of reference of this research is described in Figure 5.

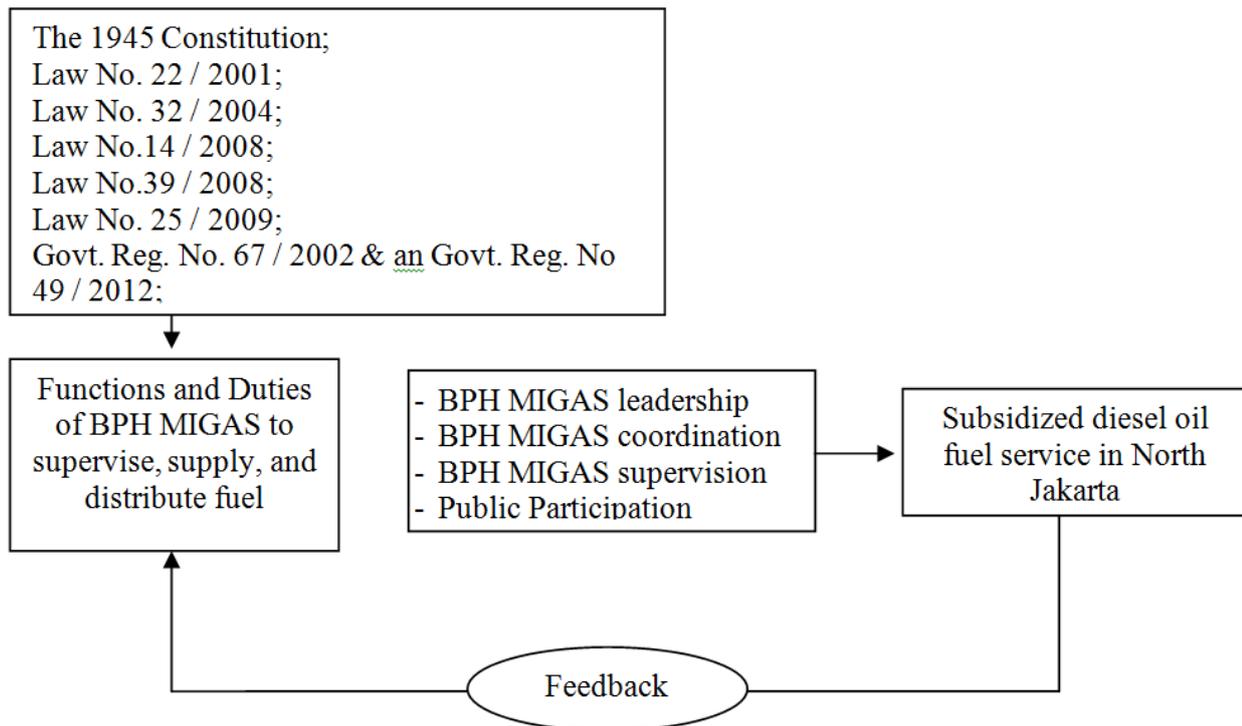


Fig. 5. Frame of Reference

Hypothesis

Based on the frames of reference, the hypothesis of this research can be formulated as follows:

1. BPH Migas leadership has affected subsidized diesel fuel service where the more effective the leadership, the better subsidized diesel fuel service in North Jakarta.
2. BPH Migas coordination has affected subsidized diesel fuel service where the more effective the coordination, the better subsidized diesel fuel service in North Jakarta.
3. BPH Migas supervision has affected subsidized diesel fuel service where the more effective the supervision,

the better subsidized diesel fuel service in North Jakarta.

4. Public participation has affected subsidized diesel fuel service where the more effective the public participation, the better subsidized diesel fuel service in North Jakarta.
5. BPH Migas leadership, coordination, supervision and public participation altogether have affected subsidized fuel service where the more effective the leadership, coordination, supervision and public participation, the better subsidized diesel fuel service in North Jakarta.

II. RESEARCH METHODOLOGY

This research is a quantitative research therefore it is an explanatory research. This research examined 1 (one) dependent variable, namely Service Quality (Y) and 4 (four) independent variables, namely Leadership (X1), Coordination (X2), Supervision (X3), Public Participation (X4). The population of this research is BPH MIGAS employee, the public and relevant stakeholders that are related to subsidized fuel. The research was conducted for seven (7) months from September 2013 to March 2014.

III. DISCUSSION

The effect of Leadership on Service Quality

Based on the analysis result, it is obvious that leadership partially has role and positive significant on subsidized diesel fuel service in North Jakarta. The realization of subsidized diesel fuel service to meet public expectations requires clean, forward-looking, competent and inspiring leadership that is capable of managing, supporting and controlling the implementation of subsidized diesel fuel service.

This is in line with Kouzes and Posner (2007:3) that leadership is the creation of method by person to contribute in achieving something extraordinary. This definition can be interpreted that satisfactory and good quality subsidized diesel fuel service can be achieved by creating the media used by people to contribute in achieving something extraordinary.

The role of leadership is ultimately needed in the perspective of public service, leader must be able to force public organization to deliver excellent services because essentially public organization is established to deliver services for the community.

The effect of Coordination on Service Quality

Based on the analysis result it is obvious that coordination partially has significant and positive effect on the quality of subsidized diesel fuel service in North Jakarta. Effective coordination will be highly dependent on the synchronization and harmony of coordination. This is consistent with Terry in Hasibuan (2007:85) that coordination is a synchronous and regular effort to allocate accurate amount and time and direct implementation to produce uniform and harmonious actions on certain targets set. Therefore, subsidized diesel fuel services in North Jakarta will be complied with if synchronous and regular effort is effected to allocate appropriate amount and time and direct the implementation to produce consistent and harmonious actions on specific targets to improve public satisfaction.

From the description given above, it can be said that the role of coordination is greatly needed to deliver quality service. The significance role of coordination in the delivery of quality service is intended to achieve harmony in actions taken by organization units so that the expected goals can be achieved efficiently and effectively. This means that all tasks, activities and works related to service delivery are integrated to the target set, namely the delivery of services that meet public expectation.

The effect of Supervision on Service Quality

Based on the analysis result, it is obvious that supervision has partial significant and positive contribution to bring about quality service of subsidized diesel fuel in North Jakarta. Effective supervision will be determined by control standards, implementation and corrective action as a process to set up performance indicators and actions taken. This is consistent with Sule and Saifullah (2005:317) that control is a process to set up performance indicators and actions to support the achievement of the expected results in accordance with the performance indicators set, or to analyze and assess actual performance of the subject being controlled if they are compatible or not.

From the description above it can be said that supervision plays important role in determining the degree of subsidized diesel fuel service quality. Supervision is one of important elements in the empowerment of government officials especially BPH MIGAS employees in performing government duties to deliver subsidized fuel quality service to reflect a clean and strong government.

The effect of Public Participation on Service Quality

Based on the analysis results it is obvious that public participation has significant and positive effect on subsidized diesel fuel service in North Jakarta. Ideally public participation to bring about quality means that they are involved in planning, implementation and evaluation of services rendered by service providers (BPH MIGAS) so the public knows the extent of their participation in the improvement of diesel fuel service. This proposition is consistent with Isbandi (2007:27) that public participation is public involvement in the process of identifying existing and potential problems in the community, selection and making decisions of alternative solution to solve problems, efforts to solve problems, and their involvement in the evaluation of changes. In the context of this research, the public should be involved in planning, implementation and evaluation of to ensure the fulfillment of basic needs in accordance with the civil rights of all citizens as mandated by the 1945 Constitution as constitutional rights that must be fulfilled by the State. Therefore public participation is needed to maintain public services quality. This is because the people are direct users of services rendered by government agencies. In fact, public participation is expressly guaranteed under Article 39 of Public Service Act stating that public participation is needed in all processes of public service.

In this sense, public participation will have impact on evaluation and quality control of public services thus minimizing deviations that may result in disappointment to the services rendered. This is consistent with the principles of good governance, namely the involvement of actors other than the state to respond public issues so that the public is involved in

the implementation of good governance to promote public service.

Osborne and Plastrik (2004:322-323) state that:

The government belongs to the people, it shall delegate its authority to the public. People should be empowered so can control services rendered by the government. With such control, civil servants (and public officials, politicians) will have better commitment, more sensitive, and more creative in solving any problems.

With the existence of control by the public, public participation plays strategic role to improve public services quality. With public participation, the people will be the most important part in raising complaints, criticisms and recommendations to improve service quality while service authority is encouraged to be more open and aware through learning process to identify users' needs and the prevailing circumstances. As to public participation, Wasistiono (2008:3.9) states that one of government's main duties as public servant is to provide services to the people. Moreover, in a democratic country where sovereignty belongs to the people. Rashid (2007:18) states that the main duties of the government can be classified into three main functions, namely service, empowerment, and development. Same opinion is given by Surpriatna (2010:18) stating that the government is essentially and theoretically is an organization that run government affairs conducted by public agencies under public policies and public services covering all aspects of life and in certain regions to improve public welfare.

The effect of Leadership, Coordination, Supervision Conducted by BPH Migas and Public Participation Altogether on Service Quality

The research results show that leadership, coordination, control and public participation altogether have impact on subsidized diesel fuel service in North Jakarta. The quality of subsidized diesel fuel service conducted by BPH Migas is ultimately related to effective leadership, coordination and control as well as active public participation in the service delivery.

According to Parasuraman in Purnama (2006:19-20), service quality is a comparison between consumer perception and customer expectation. Quality service should be quick, amusing, free of fault, follow the predetermined processes and procedures. So, quality service is not only dependent on the serving party but also by the party expecting to be satisfied with the said service.

Based on the findings of this research the following indicators have key role in determining the quality of subsidized diesel fuel service, namely accuracy, communication facility, punctuality, and follow up. These are indicators used to assess BPH Migas capability and capability to provide quality service to business entities and the public in addition to the improvement of quality service to service users in accordance with the action plans which are supported by sound and effective leadership, coordination, supervision and public participation.

IV. CONCLUSIONS

1. Leadership has significant and positive impact on subsidized diesel fuel service in North Jakarta (77.9%). Therefore the role of forward looking or

visionary and clean leadership is ultimately needed to improve service quality.

2. Coordination has positive impact on subsidized diesel fuel service in North Jakarta (76.5%). Therefore coordination should be paid extra attention to deliver better service of subsidized diesel fuel by taking into account the synchronization of control and communication patterns whereby harmonious and uniform actions will make bring subsidized diesel fuel service more superior in terms of quality.
3. Supervision has significant and positive impact on subsidized diesel fuel service in North Jakarta (76.1%). Therefore control should be paid extra attention to deliver better services by taking into account preventive supervision and inspection so that the process of setting up performance indicators will make subsidized diesel fuel service be more satisfactory.
4. Public participation has significant and positive impact on subsidized diesel fuel service in North Jakarta (77%). Therefore public participation should be paid extra attention to be able to deliver better service by taking into account the right of audit and public involvement in the assessment to encourage more active public participation in the delivery of better service quality.
5. The combination of leadership, coordination, supervision and public participation altogether have significant and positive impact on subsidized diesel fuel services in North Jakarta (81.6%) because this service depends on the responsibilities and competencies of public officials in delivering a quality and satisfactory service supported by effective leadership, coordination and supervision as well as active and independent public participation.

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