RIVAL UNDER ONE ROOF: *LEGAL AND ECONOMIC PERSPECTIVES ON STATE-OWNED ENTERPRISE SUBSIDIARIES IN INDONESIA'S INTERNET SERVICE PROVIDER SECTOR*

Ardiyantoro Muhammad Yulidar

Seoul National University

Email : ardiyulidar@snu.ac.kr

Naskah dikirim: 21/04/2025, direvisi: 19/05/2025, diterima:21/05/2025

Abstract

When public entities compete under the same state roof, the lines between national service and commercial ambition blur. In Indonesia's internet service provider (ISP) sector, subsidiaries of state-owned enterprises (SOEs)—including ICONNET (PLN), PGNCOM (Pertamina), and JMRB (Jasa Marga) —have entered commercial markets, often overlapping with private actors. While their expansion is framed as part of national digital infrastructure development, it raises institutional and legal tensions related to role boundaries, governance neutrality, and market efficiency. This study applies a normative legal approach, supported by institutional economic theory—particularly comparative advantage and institutional specialization —to evaluate whether such activities are consistent with public mandates and regulatory frameworks. Drawing on Law No. 1/2025, Government Regulation No. 72/2016, and Government Regulation No. 46/2021, the paper identifies sectoral misalignment and structural ambiguities that threaten competitive neutrality. It concludes with policy recommendations for clarifying institutional roles, reinforcing infrastructure-sharing governance, and ensuring that public investment aligns with long-term market integrity.

Key words: State- Owned Enterprises (SOE), SOEs Subsidiaries, Internet Service Provider (ISP). Market, Sectoral Mandate, Competitive Neutrality, Public Governance, Legal Framework, Infrastructure Sharing.

Abstrak

Ketika entitas negara bersaing di bawah atap yang sama, batas antara pelayanan publik dan ambisi komersial menjadi kabur. Dalam sektor penyedia layanan internet (ISP) di Indonesia, anak perusahaan Badan Usaha Milik Negara (BUMN) seperti, ICONNET (PLN), PGNCOM (Pertamina), dan JMRB (Jasa Marga)—telah memasuki pasar komersial dan kerap bersinggungan dengan pelaku swasta. Meskipun ekspansi ini dibingkai sebagai bagian dari upaya pembangunan infrastruktur digital nasional, kondisi tersebut menimbulkan ketegangan kelembagaan dan hukum terkait batas kewenangan, netralitas tata kelola, dan efisiensi pasar. Studi ini menggunakan pendekatan hukum normatif yang diperkuat dengan teori ekonomi kelembagaan, khususnya comparative advantage dan institutional *specialization untuk mengevaluasi konsistensi antara praktik anak usaha BUMN dan kerangka regulasi yang berlaku. Dengan menelaah Undang- Undang Nomor 1 Tahun 2025, Peraturan Pemerintah Nomor 72 Tahun 2016, dan Peraturan Pemerintah Nomor 46 Tahun 2021, penelitian ini menemukan adanya penyimpangan sektoral dan ambiguitas struktural yang berpotensi mengganggu netralitas kompetisi. Studi ini diakhiri dengan rekomendasi kebijakan untuk memperjelas peran kelembagaan, memperkuat tata kelola penyewaan infrastruktur, serta memastikan bahwa investasi publik berjalan selaras dengan integritas pasar jangka panjang.*

Kata kunci : *Badan Usaha Milik Negara (BUMN), Anak Perusahaan BUMN, penyedia layanan internet (ISP), Pasar, Mandat Sektoral, Netralitas Persaingan Usaha, Tata Kelola Publik, Kerangka Hukum, Infrastructure Sharing*

A. Introduction

Over the past decade, the rapid growth of digital infrastructure has encouraged various entities, including State -Owned Enterprises (SOEs), to expand their role into the internet service provision sector. This phenomenon is reflected in the emergence of SOE subsidiaries such as ICONNET (PLN), PGNCOM (Pertamina through PGN), and JMRB (Jasa Marga), which are not only developing telecommunications infrastructure but also entering the retail internet service market (B2C). While this expansion is often framed as a contribution to national connectivity goals, it raises normative and institutional questions: are these subsidiaries acting in alignment with the sectoral mandates of their parent SOEs? Do these expansions blur the roles of the state as regulator, owner, and market player? And to what extent can the resulting competition still be considered fair and neutral?

This issue is critical because it touches on the very foundation of public sector governance, the effectiveness of the state's economic role, and the integrity of market structure. When entities with privileged access to state - owned infrastructure and financing engage in commercial competition, the principle of competitive neutrality comes into question. While such involvement is legally permissible, these advantages may lead to inefficiencies, as the state ends up indirectly financing competition among its own enterprises. In the case of the ISP sector, this creates structural barriers even before competition reaches private actors. This concern becomes more urgent considering that Indonesia’s national internet infrastructure, particularly fiber optic, still faces major challenges, including fixed broadband access reaching only about 22.91% of households, uneven connection speeds, and inter-regional disparities.[1]

[1] Ministry of Communication and Informatics (Kominfo), *Preview Buku Indonesia Digital Vision 2045, English edition (Jakarta: Ministry of Kominfo, 2022),* 16–17.

This research employs a normative legal approach to assess the institutional consistency and regulatory compliance of SOEs and their subsidiaries, concerning Law No. 1 of 2025 on State-Owned Enterprises, which constitutes the third amendment to Law No. 19 of 2003 and remains the principal legal foundation. The analysis is further supported by Government Regulation No. 72 of 2016 on the Procedures for the Supervision of SOEs, Government Regulation No. 46 of 2021 on the Implementation of the Post, Telecommunication, and Broadcasting Sectors, and Government Regulation No. 23 of 2022 on the Harmonization of Business Activities of SOEs. Considerations of market fairness and inst itutional competition are also examined in light of Law No. 5 of 1999 on the Prohibition of Monopolistic Practices and Unfair Business Competition, particularly in the context of overlapping SOE roles within the ISP sector. This legal framework is combined with institutio nal economic theories such as *comparative advantage* and *institutional specialization* to evaluate sectoral relevance, market structure, and the strategic orientation of state involvement in digital infrastructure. Rooted in the logic of public economics, SOEs are intended to correct market failures, provide public goods, and pursue long-term development objectives that go beyond short-term profit motives.[2] By situating SOE subsidiaries within the tension between public mandates and co mmercial incentives, this study aims to define policy boundaries that uphold efficiency, competitive fairness, and the integrity of public governance.

B. Discussion

B.1 SOEs Legal Mandates and the Sectoral Boundaries

Within the Indonesian administrative legal framework, state-o wned enterprises (SOEs) are public legal entities bound by the prevailing legal norms, meaning their scope of authority and operations must be rooted in formal legal mandates. Each SOE's sectoral mandate is explicitly defined through government regulations at the time of their establishment: Telkom under Government Regulation No. 25 of 1991 for the telecommunications sector,[3][4] Jasa Marga under Government Regulation No. 4 of 1978 for toll road infrastructure,[5] Pertamina under Government Regulation No. 8 of 1971 for the energy sector,[6] and PLN under Government Regulation No. 23 of 1994 for

[2] Joseph E. Stiglitz, *Economics of the Public Sector (New York: W. W. Norton & Company, 2000),* 128–145.
[3] Republic of Indonesia, *Government Regulation Number 25 of 1991 on the Transformationof the Public Corporation (Perum) of Telecommunications into a State-Owned Limited Liability Company (Persero).*
[4] PT Telekomunikasi Indonesia (Persero) Tbk., *Consolidated Financial Statements as of September 30, 2024* (Jakarta: PT Telekomunikasi Indonesia, 2024).
[5] Republic of Indonesia, *Government Regulation No. 4 of 1978 on the Establishment of the State-Owned Limited Liability Company (Persero) PT Jasa Marga.*
[6] Republic of Indonesia, *Government Regulation No. 8 of 1971 on the Establishment of the State Oil and Natural Gas Mining Company "Pertamina".*

electricity.[7] These entities are not solely commercial actors; rather, they are capitalized through state investment and entrusted with the management of assets derived from public fiscal resources, with a strategic mission embedded in their role to contribute to national development within specific sectors. As codified in Article 3 of the Law No. 19 of 2003 on State-Owned Enterprises, the objectives of SOEs encompass public service obligations, national economic support, and efficient profit generation.[8]

However, when state-o wned enterprises, through their subsidiaries, venture beyond the sectors mandated by their founding regulations without an explicit assignment from the state, a conceptual and legal tension emerges: a deviation from their intended public function and strategic orientation. Rather than reinforcing sectoral productivity, such expansions risk overlapping functions, duplicative investments, and potential horizontal conflicts among fellow state entities. In this context, the sectoral relevance between parent SOEs and their subsidiaries becomes a central concern. The next section examines how ownership structures and business trajectories of SOE subsidiaries may introduce legal ambiguity and misalignment with sectoral mandates, raising questions over the consistency and clarity of public sector governance.

B.2 Assessing the Sectoral Relevancy of SOE Subsidiaries to Their Parent Mandates

The formation and expansion of SOE subsidiaries into sectors not directly related to their parent companies' mandates present a complex legal and governance dilemma. While subsidiaries such as ICONNET (PLN), PGNCOM (Pertamina through PGN), and JMRB (Jasa Marga) operate under corporate legal frameworks and already hold valid licenses under the Post, Telecommunication, and Broadcasting Government Regulation No. 46 of 2021,[9] the issue is not one of legality per se, but of institutional alignment. Article 10 of the regulation grants them the authority to operate both the telecommunication networks infrastructure and services. However, this administrative compliance should not obscure a more fundamental question, whether their business activities remain within the strategic direction of the parent SOE and the broader role of state intervention.

This tension becomes clearer when one considers the ownership structure. Formally, these subsidiaries are not classified as SOEs, as they are not directly capitalized by the state. However, their parent entities, such as Jasa Marga, Pertamina, and PLN, are themselves state -owned and maintain majority or full ownership. JMRB is 99.94% owned by Jasa Marga, which is

[7] Republic of Indonesia, *Government Regulation No. 23 of 1994 on the Conversion of the State Electricity Public Corporation (Perum Listrik Negara) into a Limited Liability Company (Persero).*
[8] Republic of Indonesia, *Law No. 19 of 2003 on State-Owned Enterprises,* Article 3.
[9] Republic of Indonesia, *Government Regulation No. 46/2021,* Art 10.

70% owned by the state.[10] PGNCOM is 99.93% owned by PGN (with Pertamina holding 56.96% of PGN). Iconnet is 99.99% owned by PLN. Moreover, Pertamina and PLN are both owned by the government with a 100% stake.[11][12] This layered structure creates an ambiguous chain of public influence and financial accountability, blurring the distinction between commercial autonomy and state accountability. It also raises concerns over whether such subsidiaries are merely extensions of state power acting beyond their intended remit.

Figure 1

Government Ownership Structure in Telkom, Jasa Marga, Pertamina, and PLN.

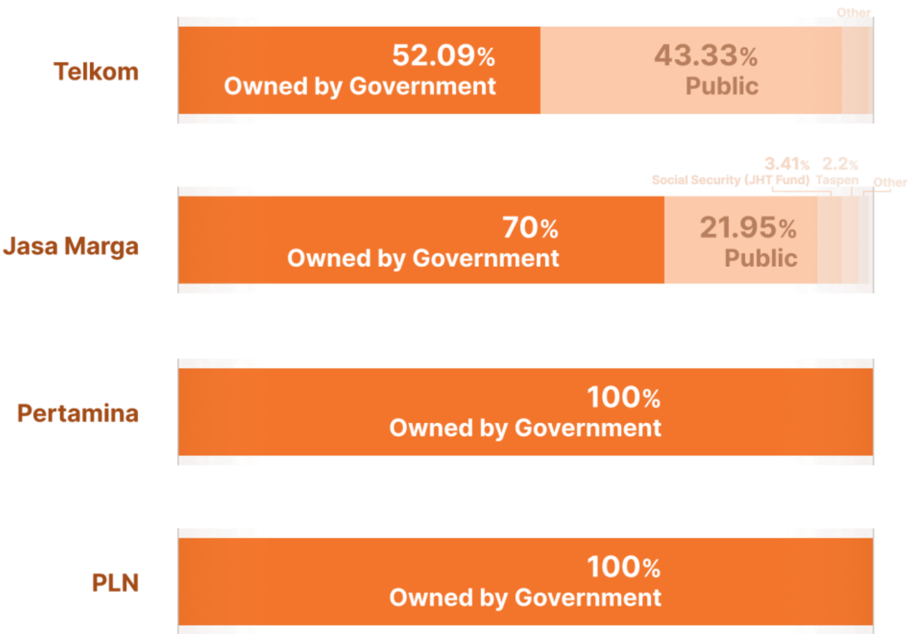

Table 1.

Telkom's Shareholding in Subsidiaries and Their Business Activities.

SOE Paíc→t Compa→Q	SubsidiaíQ E→titQ	Natuíc of Busi→css	SOE Ow→cískip (%)
Telkom	PTTelekomunikasi Selular (Telkomsel)	Mobile network services, fixed broadband, IPTV	70.0
Telkom	PTDayamitra Telekomunikasi Tbk (Mitratel)	Towerrental and mobile infrastructure services	72.0

[10] *PT Jasa Marga (Persero) Tbk. and Subsidiaries, Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022* (Jakarta: PT Jasa Marga, 2024).
[11] PT Pertamina (Persero), Notes to the *Consolidated Financial Statements as of December 31, 2023 and 2022* (Jakarta: PT Pertamina, 2024).
[12] PT Perusahaan Listrik Negara (Persero), *Consolidated Financial Statements for the Periods Ending June 30, 2024 and December 31, 2023* (Jakarta: PT PLN, 2024).

Telkom	PTMultimedia Nusantara (Metra)	Multimedia and telecom network services	100.0
Telkom	PTTelekomunikasi Indonesia International (Telin)	International telecommunication and information services	100.0
Telkom	PT Telkom Data Ekosistem (TDE)	Data center	100.0
Telkom	PTTelkom Satelit Indonesia (Telkomsat)	Satellite communication and supporting services	100.0
Telkom	PT Sigma Cipta Caraka (Sigma)	ITconsulting, hardware and software services	100.0
Telkom	PT Graha Sarana Duta (GSD)	Development, trade, and land transportation	100.0
Telkom	PT Telkom Akses	Development, trading, and telecom infrastructure services	100.0
Telkom	PTTelkom Infrastruktur Indonesia (TIF)	Telecom and information infrastructure (new entity 2024)	100.0
Telkom	PTMetra-Net (Metra-Net)	Multimedia portal services	100.0
Telkom	PTInfrastruktur Telekomunikasi Indonesia (Telkom Infra)	Telecom infrastructure services	100.0
Telkom	PT PINS Indonesia (PINS)	Telecom equipment trading	100.0
Telkom	PT Napsindo Primatel Internasional(Napsindo)	Network & VODservices (inactive since 2006)	60.0

Table 2.

Jasa Marga's Shareholding in Subsidiaries and Their Business Activities.

SOE Parent Company	Subsidiary Entity	Nature of Business	SOE Ownership (%)
Jasa Marga	PT Jalantol Lingkarluar Jakarta (JLJ)	Toll road operation services	100.0
Jasa Marga	PT Marga Sarana Jabar (MSJ)	Bogor Outer Ring Road toll concession	55.0

Jasa Ma̧ga	Pľ Ma̧ga ľía→ıs N"sa→ıtaía (MľN)	K"→ıcía→ı-Scípo→ıg toll co→ıccssio→ı	60.0
Jasa Ma̧ga	Pľ Jasama̧ga K"→ıcía→ı Cc→ıgkaíc→ıg (JKC)	K"→ıcía→ı-Cc→ıgkaíc→ıg toll co→ıccssio→ı	7®.5
Jasa Ma̧ga	Pľ Jasama̧ga ľollíoad Mai→ıtc→ıa→ıcc (JMľM)	ľoll íoad co→ıstí"ctio→ı, cq"ipmc→ıt íc→ıtal	99.®
Jasa Ma̧ga	Pľ Jasama̧ga Bali ľol (JBľ)	N"sa K"a-ľa→ıj"→ıg Bc→ıoa toll co→ıccssio→ı	64.4
Jasa Ma̧ga	Pľ Jasama̧ga Rclatcd B"si→ıcss (JMRB)	PíopcítQ a→ıd ícst aíca b"si→ıcss dc:clopmc→ıt	99.9
Jasa Ma̧ga	Pľ Jasama̧ga K"ala→ıam" ľol (JMK)	Mcda→ı-K"ala→ıam"-ľcbi→ıg ľi→ıggi toll co→ıccssio→ı	55.0
Jasa Ma̧ga	Pľ Ci→ıcíc Scípo→ıg JaQa (CSJ)	Scípo→ıg-Ci→ıcíc toll co→ıccssio→ı	55.0
Jasa Ma̧ga	Pľ Jasama̧ga ľollíoad Opcíatoí (JMľO)	ľoll íoad opcíatio→ı scí:iccs	100.0
Jasa Ma̧ga	Pľ Jasama̧ga Ma→ıado Bit"→ıg (JMB)	Ma→ıado-Bit"→ıg toll co→ıccssio→ı	65.0
Jasa Ma̧ga	Pľ Jasama̧ga Balikpapa→ı Samai→ıda (JBS)	Balikpapa→ı-Samai→ıda toll co→ıccssio→ı	67.4
Jasa Ma̧ga	Pľ Jasama̧ga ľía→ısjawa ľol (Jľľ)	ľía→ıs-Ja:a toll →ıctwoík	99.0
Jasa Ma̧ga	Pľ Jasama̧ga Japck Sclata→ı (JJS)	Jaka̧ta-Cikampck So"tk Sidc toll co→ıccssio→ı	91.0
Jasa Ma̧ga	Pľ Jasama̧ga Píoboli→ıggo Ba→ıQ"wa→ıgi (JPB)	Píoboli→ıggo-Ba→ıQ"wa→ıgi toll co→ıccssio→ı	94.9

Jasa Marga	PT Jasamarga Jogja Bawen (JJB)	Yogyakarta–Bawen toll concession	63.2
Jasa Marga	PT Jasamarga Akses Patimban (JAP)	Access to Patimban toll concession	57.2

Table 3.

Pertamina's Shareholding in Subsidiaries and Their Business Activities.

SOE Parent Company	Subsidiary Entity	Nature of Business	SOE Ownership (%)
Pertamina	PT Pertamina Hulu Energi (PHE)	Oil and gas exploration and production	100.0
	(Indirect Subsidiary) PT. Elnusa. Tbk	Energy distribution and logistics, integrated upstream oil and gas, oil and gas support services	51.1
Pertamina	(Indirect Subsidiary) PT Sigma Cipta Utama	Data management, information technology and telecommunications	100.0
Pertamina	PT Kilang Pertamina Internasional (KPI)	Refinery and petrochemical operations	100.0
Pertamina	PT Pertamina Patra Niaga (PN)	Trading services and industrial activities	100.0
Pertamina	PT Perusahaan Gas Negara Tbk (PGN)	Oil and gas trading, transportation, processing, distribution and storage	57.0
	(Indirect Subsidiary) PT PGAS Telekomunikasi	Telecommunication	56.9
Pertamina	PT Pertamina Power Indonesia (PPI)	Generation of electricity from new and renewable energy sources	100.0
Pertamina	PT Pertamina International Shipping (PIS)	Shipping	100.0

Table 4.

PLN's Shareholding in Subsidiaries and Their Business Activities.

SOE Parent Company	Subsidiary Entity	Nature of Business	SOE Ownership (%)

PLN	PT PLN Nusantara Power (PLN NP)	Electricity generation (non-geothermal)	100.0
PLN	PT PLN Indonesia Power (PLN IP)	Electricity generation (non-geothermal)	100.0
PLN	PT PLN Energi Primer Indonesia (EPI)	Primary energy supply and logistics	99.9
PLN	PT PLN ICON Plus (ICON+)	Business activities outside of power generation, transmission, and distribution (telecommunication and digital services)	100.0

The tables above illustrate the ownership composition and operational domains of Telkom, Jasa Marga, Pertamina, and PLN through their respective subsidiaries. By distinguishing telecommunications-related entities, this breakdown helps reveal the strategic roles each subsidiary plays within the broader state-owned enterprise framework. All data presented are based on the latest available consolidated financial statements of each SOE, which serve as the primary reference for this study.

From the perspective of institutional theory, this phenomenon reflects a form of isomorphic mimicry,[13] where subsidiaries adopt strategies and organizational forms modeled on peer organizations, not out of technical necessity, but to conform with perceived norms of success and legitimacy within the broader SOE environment. Subsidiaries emulate successful models like Telkomsel not necessarily due to regulatory directives or public mandates, but in response to normative pressure or commercial incentives to replicate profitability. Although the appearance of digital transformation and market responsiveness may grant these subsidiaries a veneer of legitimacy, their activities may in fact diverge from the strategic objectives of their parent institutions. This aligns with Hambrick et al.'s observation that when isomorphic pressures diminish—due to reduced regulatory scrutiny, greater managerial discretion, or blurred sectoral boundaries—organizations begin to diverge. They develop intraindustry heterogeneity and pursue strategic trajectories that may no longer reflect their foundational missions [14]. Such divergence often occurs under the guise of modernization or market

[13] Paul J. DiMaggio and Walter W. Powell, *"The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields," American Sociological Review 48, no. 2 (1983):* 147–160.
[14] Donald C. Hambrick, Sydney Finkelstein, Theresa S. Cho, and Eric M. Jackson, *"Isomorphism in Reverse: Institutional Theory as an Explanation for Recent Increases in Intraindustry Heterogeneity and Managerial Discretion," Journal of Management Inquiry 14, no. 3 (2005):* 269–279.

adaptation, but without a coherent policy framework to justify or guide such movement.

The regulatory framework, notably Article 62M of Law No. 1 of 2025 on Third Amendment of State-owned Enterprise Law, attempts to address this issue by requiring that SOE subsidiaries maintain sectoral relevance to their parent companies. However, the use of the phrase "are encouraged to be aligned" weakens the enforceability of the provision, leaving room for discretionary interpretation.[15] *In contrast, PT Elnusa Tbk, in this case also part of the Pertamina Group, focuses its telecommunication functions solely on B 2B services within upstream oil and gas operations. This governance-consistent approach highlights how SOE subsidiaries can support digital infrastructure needs while remaining aligned with their sectoral mandates, unlike the consumer-facing expansion of PGNCOM.* Supporting regulation of SOE Law like, Article 2A of Government Regulation No. 72 of 2016,[16] stipulates that subsidiaries can only be treated akin to SOEs when there is a direct policy mandate or assignment from the state. Without such mandates, subsidiaries expanding into unrelated sectors operate in a legal grey zone legally permissible, but misaligned with the spirit of state-owned enterprise governance and the expectations of sectoral coherence as set out in Government Regulation No. 23 of 2022 on SOE reform and synergy.[17]

In this landscape, sectoral relevance is not merely a matter of organizational design but a critical element of public accountability and efficient resource use. As such, the issue calls for a reassessment of the boundaries between commercial initiative and state mandate, particularly when the enterprises in question are financed, owned, or operated under the enduring shadow of public authority.

B.3. Public Resource Allocation and the Principle of Competitive Neutrality

As previously discussed, sectoral misalignment is not merely a legal concern—it also carries strategic economic implications. When SOE subsidiaries enter sectors beyond their parent mandates, especially in infrastructure-heavy industries like telecommunications, they do so with access to state-o wned capital, regulatory privileges, and critical public infrastructure. This includes utility poles, ducting, and right-of-way corridors, which private competitors must acquire through market-based negotiation.

[15] *Republic of Indonesia, Law No. 1 of 2025 on Third Amandement of State-Owned Enterprises Law,* Article 62M

[16] Republic of Indonesia, *Government Regulation No. 72 of 2016 on Amendments to Government Regulation No. 44 of 2005 on the Procedures for State Capital Participation in State-Owned Enterprises and Limited Liability Companies*, Article 2A.

[17] Republic of Indonesia, *Government Regulation No. 23 of 2022 on the Reform and Strengthening of State-Owned Enterprises.*

Such advantages create structural disparities that challenge the principle of competitive neutrality[18], which holds that state and private actors should compete on equal terms. As emphasized by both the OECD and the World Bank, SOEs should avoid leveraging state-backed advantages in ways that distort private sector competition and undermine efficiency.[19]

The consequences extend beyond fairness. These advantages can deter private investment, concentrate market power among state -linked entities, and reduce incentives for innovation. In contrast, models like JMRB, which provide neutral infrastructure access without entering retail markets, offer a more balanced approach—supporting national connectivity goals without distorting market competition. Maintaining institutional boundaries between public facilitation and commercial engagement is therefore essential—especially when SOEs are entrusted with managing critical national assets like infrastructure, where inefficiencies not only affect service delivery but also distort competitive dynamics and suppress innovation.[20]

From an economic perspective, this issue is rooted in David Ricardo's classical theory of comparative advantage, which argues that economic actors should specialize in sectors where they are structurally most efficient. When SOE subsidiaries expand into unrelated or non-specialized sectors, they risk duplicating investments, fragmenting oversight, and weakening strategic focus. Though not always captured in financial metrics, such inefficiencies represent a longer-term burden on both public sector performance and the broader investment climate.[21]

B.4. Reframing the Role: Infrastructure Leasing and the Case for Reseller Schemes

Rather than pursuing direct expansion into the retail market, SOE subsidiaries operating outside their parent company's core mandate could adopt more institutionally appropriate roles, particularly through infrastructure leasing and reseller schemes. This approach is not about restricting innovation or market participation, but about reinforcing the alignment between state-o wned entities and their designated public mandates. Government Regulation No. 46 of 2021 provides a legal basis for such models, particularly under Article 31 paragraph (5), which allows the resale of telecommunication services through cooperative agreements between

[18] World Bank, *Corporate Governance of State-Owned Enterprises: A Toolkit (Washington, DC: World Bank, 2014),* 42–43.
[19] *Hans Christiansen, The Size and Composition of the SOE Sector in OECD Countries (Paris: OECD Working Papers, 2011), 15.*
[20] Anja Baum et al., *"Managing Fiscal Risks from State-Owned Enterprises," September 25, 2020,* 5 https://www.elibrary.imf.org/view/journals/001/2020/213/article-A001-en.xml.
[21] David Ricardo, *On the Principles of Political Economy and Taxation* (London: John Murray, 1817).

network owners and service providers.[122] Additionally, Law No. 1 of 2025 mandates in Article 94 that all SOEs adjust their structures and operations within one year to comply with the revised framework—an obligation that extends to subsidiary configurations and business models. In the same law, Article 93 prohibits SOEs from abusing dominant positions in ways that harm fair competition, echoing the general antitrust principles set forth in Law No. 5 of 1999.[23] In this context, infrastructure-focused roles, such as providing neutral access to fiber networks, towers, or ducting, represent a clearer institutional fit for subsidiaries originating from non-telecommunication SOEs like PLN, Pertamina, and Jasa Marga.

The practice adopted by JMRB illustrates a more balanced and transparent model. Rather than entering the retail internet market, JMRB offers its toll-road-aligned fiber network to private ISPs, avoiding vertical conflict with established players like Telkomsel. This model not only respects sectoral boundaries but also promotes the use of public infrastructure for broader national goals without distorting competition. Applying similar arrangements to ICONNET or PGNCOM—by emphasizing wholesale, open-access, or reseller partnerships—could enhance sectoral synergy and reduce the risk of overlapping mandates. In turn, this supports a governance structure in which SOEs operate in defined roles that complement one another, fostering institutional clarity, competitive neutrality, and long-term efficiency within the public enterprise system. Such expansions, if left unchecked, may also infringe the principles set forth in Law No. 5 of 1999, particularly Articles 17 and 25, which prohibit monopolistic practices and the abuse of dominant positions in ways that distort competition and limit market entry.[24]

C. Conclusion

The expansion of state-owned enterprise (SOE) subsidiaries into sectors outside their parent companies' original mandates, particularly telecommunications, reveals a fundamental tension between public service orientation and commercial incentives. When entities initially designed to manage energy, transport, or core infrastructure enter the internet retail market without explicit state assignment, the issue goes beyond regulatory compliance and instead touches the coherence of public policy itself. OECD data shows that the majority of SOE value globally is concentrated in utility sectors such as electricity, gas, and transport, while telecommunications accounts for only about 3 percent of total SOE value worldwide.[25] This

---

[22] Republic of Indonesia, *Government Regulation No.46/2021,* Art 31(5).
[23] Republic of Indonesia*, Law No. 1 of 2025,* Art 93 and 94.
[24] Republic of Indonesia, *Law No. 5 of 1999 on the Prohibition of Monopolistic Practices and Unfair Business Competition*, Art 17 and 25.
[25] *Hans Christiansen, The Size and Composition of the SOE Sector in OECD Countries, 20.*

highlights that such expansion is far from a global norm, especially when undertaken by subsidiaries that lack any sectoral alignment with telecommunications. This situatio n suggests a misalignment of institutional roles that demands serious attention.

While their legal participation may be formally permitted, the privileged access these subsidiaries enjoy—in terms of infrastructure, public capital, and regulatory proximity—can generate structural inefficiencies. In effect, the state is indirectly funding competition between its own enterprises within the same sector, a dynamic that contradicts principles of efficient public asset management. The external impact is also significant: the presence of multiple SOE-linked entities in the same industry creates initial entry barriers across the broader ISP market, even before private firms enter into direct competition. This complexity is compounded by layered ownership structures, where subsidiaries may fall outside formal SOE classification but remain under the full control of state-o wned parent firms. According to the OECD, unlisted SOEs are still viewed as the government's preferred instruments for managing strategic sectors, not as aggressive competitors in open markets[26]. Therefore, the government must reconsider the commercial autonomy of SOE subsidiaries and ensure that every expansion initiative operates within a coordinated, transparent policy framework that upholds market fairness and public accountability in the use of state assets.

Recommendation

A first and urgent priority is to establish clear boundaries for SOE subsidiaries operating in strategic yet competitive sectors such as internet infrastructure. Drawing from Jörn Altmann's reference model of the ISP industry, vertically integrated state entities that control both infrastructure and retail access risk, reinforcing structural dominance and undermining market openness.[127] JMRB (a Jasa Marga subsidiary), which confines its role to passive infrastructure sharing, provides a better governance example. Subsidiaries like ICONNET and PGNCOM, on the other hand, merit immediate review. If they are to continue operating in the retail internet service market (B2C), they should be structurally separated and operated independently under commercial licensing or divested entirely. Otherwise, their activity should remain limited to backbone infrastructure sharing (B2B), with transparent access for private ISPs. Maintaining this separation is essential not only for policy clarity but also to prevent public funds from being used to finance intra-government competition.

---

[26] *Ibid.*, 12.

[27] Jörn Altmann, *A Reference Modelof Internet Service Provider Businesses*, Hewlett-Packard Laboratories Technical Report, 2001, https://www.hpl.hp.com/techreports/2001/HPL-2001-78.pdf.

Second, the government should reinforce sectoral mandate clarity between SOEs and their subsidiaries. As stipulated in Article 62M of Law No. 1/2025 and supported by Government Regulation No. 72 of 2016 on the Procedures for the Supervision of SOEs and Government Regulation No. 23 of 2022 on the Harmonization of SOE Business Activities, every SOE expansion must align with the strategic objectives of the parent enterprise. Subsidiaries should not be used to bypass regulatory boundaries or enter sectors beyond the state's original public mission. If state-backed infrastructure is to be utilized in adjacent sectors, a clear legal assignment must be issued via presidential regulation or ministerial decree. Otherwise, such ventures must be treated as independent corporate actors subject to general competition law and market regulation.

Third, the state must enforce structural adjustment obligations outlined in Article 94 of Law No. 1/2025, which requires all SOEs and their subsidiaries to complete organizational realignment within one year. This provision is not merely administrative—it provides a concrete legal mechanism for resolving overlaps and reasserting policy discipline. The Ministry of SOEs, together with sectoral regulators such as Kominfo and KPPU, should actively monitor this transition and issue specific guidance on B2B and B2C limitations, infrastructure leasing schemes, and subsidiarity principles for market participation. Most importantly, public money should not be used to fund fragmentation and inefficiency.

Lastly, the government should reassess whether the current configuration of SOEs in the ISP sector complies with Law No. 5 of 1999 on the Prohibition of Monopolistic Practices and Unfair Business Competition. While these subsidiaries may not yet constitute monopolies by definition, their combined market presence can distort competition structurally by concentrating access to strategic assets and creating implicit barriers to entry. As such, regulators must adopt a proactive stance, not merely reacting to abuse, but identifying early signs of structural market entrenchment. In markets as critical and fast-moving as telecommunications, prevention is preferable to litigation.

This study adopts a normative-legal framework to evaluate sectoral mandates, governance structure, and competitive boundaries involving SOE subsidiaries in the ISP market. While this approach enables a clear assessment of regulatory design and institutional roles, future research could complement it with empirical inquiry. One area worth deeper exploration is the long-term viability of ground-based infrastructure-shar ing policies, particularly those centered on fiber-optic systems. As internet backbone technologies continue to evolve, with emerging models such as low-earth orbit satellite networks offering faster deployment and potentially lower marginal costs, policymakers must consider whether existing infrastructure strategies remain future-proof. In a rapidly shifting technological landscape, the critical question is not only how infrastructure is shared, but whether the state is investing in infrastructure that may soon be left behind.

Reference

Altmann, Jörn. *A Reference Model of Internet Service Provider Businesses*. Hewlett-Packard Laboratories Technical Report, 2001. https://www.hpl.hp.com/techreports/2001/HPL-2001-78.pdf.

Baum, Anja, Paulo A. Medas, Alberto Soler, and Mouhamadou Sy. "Managing Fiscal Risks from State-Owned Enterprises." IMF Working Paper No. 20/213, September 25, 2020. https://www.elibrary.imf.org/view/journals/001/2020/213/article-A001-en.xml.

Christiansen, Hans. *The Size and Composition of the SOE Sector in OECD Countries*. OECD Corporate Governance Working Papers No. 5. Paris: OECD Publishing, 2011.

DiMaggio, Paul J., and Walter W. Powell. "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields." *American Sociological Review* 48, no. 2 (1983): 147–160.

Hambrick, Donald C., Sydney Finkelstein, Theresa S. Cho, and Eric M. Jackson. "Isomorphism in Reverse: Institutio nal Theory as an Explanation for Recent Increases in Intraindustry Heterogeneity and Managerial Discretion." *Journal of Management Inquiry* 14, no. 3 (2005): 269–279.

Ministry of Communication and Informatics (Kominfo). *Preview Buku Indonesia Digital Vision 2045*. English edition. Jakarta: Ministry of Kominfo, 2022.

Porter, Michael E. *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: Free Press, 1985.

PT Jasa Marga (Persero) Tbk and Subsidiaries. *Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022*. Jakarta: PT Jasa Marga, 2024.

PT Perusahaan Listrik Negara (Persero). *Consolidated Financial Statements for the Periods Ending June 30, 2024 and December 31, 2023*. Jakarta: PT PLN, 2024.

PT Pertamina (Persero). *Notes to the Consolidated Financial Statements as of December 31, 2023 and 2022*. Jakarta: PT Pertamina, 2024.

PT Telekomunikasi Indonesia (Persero) Tbk. *Consolidated Financial Statements as of 30 September 2024 and for the Nine Months Then Ended (Unaudited)*. Jakarta: PT Telkom Indonesia, 2024.

Republic of Indonesia. *Government Regulation No. 4 of 1978 on the Establishment of the State-Owned Limited Liability Company (Persero) PT Jasa Marga*.

Republic of Indonesia.. *Government Regulation No. 8 of 1971 on the Establishment of the State Oil and Natural Gas Mining Company "Pertamina"*.

Republic of Indonesia.. *Government Regulation No. 23 of 1994 on the Conversion of the State Electricity Public Corporation (Perum Listrik Negara) into a Limited Liability Company (Persero)*.

Republic of Indonesia.. *Government Regulation No. 25 of 1991 on the Transformation of the Public Corporation (Perum) of Telecommunications into a State-Owned Limited Liability Company (Persero)*.

Republic of Indonesia.. *Government Regulation No. 46 of 2021 on Post, Telecommunications, and Broadcasting*.

Republic of Indonesia.. *Government Regulation No. 72 of 2016 on the Procedures for the Supervision of SOEs*.

Republic of Indonesia.. *Government Regulation No. 23 of 2022 on the Harmonization of Business Activities of State-Owned Enterprises*.

Republic of Indonesia.. *Law No. 5 of 1999 on the Prohibition of Monopolistic Practices and Unfair Business Competition*.

Republic of Indonesia.. *Law No. 19 of 2003 on State-Owned Enterprises*.

Republic of Indonesia.. *Law No. 1 of 2025 on State-Owned Enterprises (Third Amendment to Law No. 19 of 2003)*.

Ricardo, David. *On the Principles of Political Economy and Taxation* . London: John Murray, 1817. Public domain version available at Project Gutenberg.

Stiglitz, Joseph E. *Economics of the Public Sector*. New York: W. W. Norton & Company, 2000.

World Bank. *Corporate Governance of State-Owned Enterprises: A Toolkit*. Washington, DC: World Bank, 2014.