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National University of Singapore

ESI Seminar

Easing the Traffic: The Effects of Indonesia's Fuel Subsidy Reforms on Toll Road Travel

Dr. Paul Burke
Economist, Australian National University

Thursday, 3 November 2016
3:00 pm to 4:30 pm
ESI Conference Room
29 Heng Mui Keng Terrace
Block A, #10-01, Singapore 119620

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Synopsis:

Indonesia has serious traffic jams. This study uses data from 19 Indonesian toll roads over 2008–2015 to calculate the effects of Indonesia's historic recent fuel subsidy reforms on motor vehicle travel. The timing of the reforms was determined by budgetary and political factors, providing a suitable setting for estimating a causal effect. Estimates using monthly data suggest an immediate fuel price elasticity of motor vehicle flows on the roads in our study of -0.1 , increasing to -0.2 when responses over a year are considered. By the end of 2015, we estimate that Indonesia's fuel subsidy reforms of 2013 and 2014 had reduced traffic pressure on these roads by around 10% relative to the counterfactual without reform. A move to an adequate fuel excise system could contribute to more free-flowing traffic, while generating revenue for infrastructure and other investment.

Speaker:



Dr. Paul Burke is an economist at the Australian National University. His research focuses on the environment, energy, transport, and developing countries, particularly in the Asia Pacific. He is currently working on an Australia Research Council-funded project on Indonesia's fuel subsidy reforms. Paul was formerly a private-sector economist with Mekong Economics Ltd in Vietnam.