Danantara Indonesia

KAI

Emerging Risks

PT Kereta Api Indonesia (Persero)

Oktober 2026

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| Geopolitical Risk

Geopolitical Tension and Dependence on Imported Railway Equipment and Components

Export restrictions from the main railway technology suppliers (China, Japan, and Europe) could threaten the long-term continuity of KAI's supply chain.

Rising trade tensions among these countries could limit access to strategic components such as signaling semiconductors, spare parts, and electrification equipment, and KAI cannot control this risk because it imports most of its rolling stock, critical spare parts, and signaling systems. Although this risk has not yet had a significant direct impact, it could intensify if global trade tensions escalate or new export restrictions are introduced by major supplier countries, potentially disrupting the long-term continuity of KAI's supply chain.

Impact

1 Operations

Delays in procuring new rolling stock or critical spare parts could hinder fleet renewal programmes and reduce operational reliability.

2 Investment

AI may need to redirect part of its capital expenditure to diversify suppliers or build local manufacturing and maintenance capabilities, which adds cost and takes time to adjust.

3 Strategy

KAI would need to review its long-term procurement strategy and partner with alternative manufacturers outside restrictive countries, so that core operations do not depend on a single supplier.

Mitigation Strategy

Diversify Supply

KAI sources rolling stock and spare parts from multiple countries to reduce single-source dependency.

Raise local content

KAI works more closely with PT INKA, Indonesia's national strategic industry, to increase domestic content (TKDN) in rolling stock and critical components.

Monitor risks

KAI scans the supply chain periodically for global trade and technological developments relevant to the railway supply chain.

| Economic Risk

Institutional Uncertainty in Railway Infrastructure Management and Operations (Separation of BUPP and BUPS)

Two competing policy pathways could redefine KAI's role in railway infrastructure management, with no final decision or timeline yet established.

Law No. 23 of 2007 requires separating the infrastructure operator (BUPP) from the rolling stock operator (BUPS), but this has yet to be implemented. Meanwhile, Law No. 16 of 2025 on SOEs and the draft Government Regulation would designate KAI itself as the BUPP, whereas the proposed revision of Presidential Regulation No. 53 of 2012 would establish a separate BUPP entity independent of KAI.

Impact

Scenario 1 — KAI becomes BUPP

- KAI **inherits aging assets about 70% of bridges and tunnels** are over 100 years old, with a major maintenance backlog.
- KAI lacks the technical capabilities, organizational structure, and accounting systems to manage them.

Scenario 2 — BUPP is a separate entity

- KAI **loses control** of infrastructure that is integrated with its operations.
- Open access lets other operators use the tracks, ending KAI's exclusive position.

In both cases,
KAI must prepare for different organizational structures and information systems, while policy uncertainty complicates long-term planning.

Mitigation Strategy

Engage with Policymakers

KAI works with DJKA, Bappenas, the Coordinating Ministry for Economic Affairs, and the Ministry of Transportation on the BUPP-BUPS framework and the TAC-IMO-PSO design using benchmarks from the Netherlands and Switzerland

Netherlands

ProRail *Infrastructure Operator(BUPP)* + **Nederlandse Spoorwegen** *Rolling Stock Operator (BUPS)*

Switzerland

SBB *BUPP + BUPS Model*

Conduct BUPP-BUPS Modelling Scenarios

Strengthen Readiness

KAI must strengthen its PMO and strategy control functions to monitor regulatory changes and prepare its organization and financial systems for implementation once the regulations are enacted.

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Thank you

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