

AN ANALYSIS OF THE IMPACTS OF COVID-19 PANDEMIC TO AIRLINE BUSINESS CASE STUDY: PT. GARUDA INDONESIA

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Abstract. This study aims to analyze the impacts of the COVID-19 Pandemic to the aviation industry in Indonesia, especially in relation to the airline business; case study of PT. Garuda Indonesia. This study will also analyze how they overcome these impacts so that they can survive in the aviation industry in Indonesia. This is a qualitative research done by collecting data and information from PT. Garuda Indonesia. After that, data collection, data processing, and analysis are carried out to answer the problem formulation. The sources of this research data are (1) primary data from various seminars attended by researchers, direct interviews, and media interviews with resource person Irfan Setiাপutra as the President Director of PT. Garuda Indonesia and (2) secondary data obtained from the official website on the internet. This research uses descriptive qualitative analysis and triangulation methods. The results of this study indicate that the COVID-19 pandemic has a very significant impact on the airline business in the aviation industry in Indonesia, from reducing the number of passengers, reducing the number of flight frequencies, canceling flights, to stopping operations on certain flight routes. This research is a case study experienced by PT. Garuda Indonesia.

Keywords: impact, pandemic, covid-19, airline business, garuda indonesia

Research background

At the beginning of this year, Indonesia and the whole world were shocked by the emergence of a new type of virus called the Corona Virus or COVID-19. COVID-19 is a group of viruses that can cause respiratory infections in humans ranging from coughing and colds to more serious ones like MERS or SARS. This virus is very fast spreading around the world. The disease, caused by the SARS-CoV-2 virus infection, was first identified in Wuhan city, in China's Hubei province in December 2019.

In the three months since COVID-19 broke out, aviation became one of the first industries affected. As reported by Liputan6.com on April 23, 2020, the Ministry of Transportation (Kemenhub) stopped public transportation whether by land, sea, or air on Friday (03/24/2020), especially for air transport carrying commercial passengers. Soekarno-Hatta International Airport also stopped operating to serve domestic and foreign commercial passengers both scheduled and chartered. Soekarno-Hatta International Airport operated to serve non-commercial flights arranged by the Directorate General of Civil Aviation. The flights excluded were state flights, international organizations, repatriation, law enforcement, emergency services for flight

officers, cargo operations, and transportation of medical goods. This transportation control was also implemented so that people did not go home on 2020 Eid al-Fitr to break the chain of COVID-19 transmission.

The Coronavirus outbreak (COVID-19) are not only detrimental to the people's health. This virus has even affected the economies of countries around the world, including Indonesia. The global economy is certain to slow down, following the stipulation by WHO which mentions the Corona outbreak as a pandemic which then affected the business world. This can be seen from various announcements to dismiss schools, to cancel face-to-face lectures, to prohibit engagement in crowds, and to restrict travelling abroad, whether for Umrah, recreation, or just for casual visits.

The regulations or policies that have been set by the government are certainly very influential in all sectors, including the economy and social life in society. It was reported by some media that around 50 million people were threatened with losing their jobs due to the effects of the COVID-19 pandemic.

Formulation of the problem

1. What are the impacts of the COVID-19 pandemic on the airline business in Indonesia?
2. What are the impacts of the COVID-19 pandemic on the airline business of PT. Garuda Indonesia?
3. How does Garuda Indonesia overcome the effects of the COVID-19 pandemic?

Research purposes

1. To find out the impacts of the COVID-19 pandemic on the airline business in Indonesia
2. To find out the impacts of the COVID-19 pandemic on the airline business of PT. Garuda Indonesia
3. To find out how Garuda Indonesia handles the effects of the COVID-19 pandemic

Theoretical basis

1. Pandemic COVID-19

According to (Cucinotta & Vanelli, 2020), World Health Organization (WHO) has announced the status of a global pandemic for Coronavirus Disease 2019 or also called Coronavirus Disease 2019 (COVID-19) on March 11, 2020. In health terms, pandemic means an outbreak of a disease that attacks many victims, simultaneously in various countries. While in the case of COVID-19, the World Health Organization designated the disease as a pandemic because all the world's citizens were potentially exposed to COVID-19 infection.

2. COVID-19

(Pane, 2020) states that Coronavirus or severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) is a virus that attacks the respiratory system. This disease is caused by a viral infection called COVID-19. Coronavirus can cause mild disturbances to the respiratory system, severe lung infections, or even death. In addition to the SARS-CoV-2 virus or Coronavirus, viruses that are also included in this group are the viruses that cause Severe Acute Respiratory Syndrome (SARS) and the virus that causes Middle-East Respiratory Syndrome (MERS). Although caused by viruses from the same group, namely coronavirus, COVID-19 has some differences with SARS and MERS, including in terms of the speed of spread and severity of the symptoms.

3. Airline Business

According to (Doganis, 2005), the airline business has had a torrid time since the turn of the decade. The established order was already in turmoil with the inexorable rise of the likes of Southwest Airlines, Easyjet and Ryanair, the development of Internet booking, price wars and increased competition in general. It was then treated to a bitter spat between British Airways and Virgin Atlantic - a disagreement that descended to personal levels. Then, as if it couldn't get any worse, along came 9/11, hotly pursued by SARS and people just weren't getting on to planes anymore.

4. Crisis Management Strategy

Dynamic strategy is applied if the scope of the issue has led to more specific things about a product, individual, or company. It is estimated that the impact of the issue is quite extensive and growing, developing in a direction that is difficult to predict. For this reason, anticipatory steps are needed that neutralize the atmosphere and return the issue in a positive direction. Some of the choices that can be made to implement this strategy are new investments, selling shares, launching new products, attracting the circulation of old products, or holding power. (Kasali, 1994)

Research methods

In this research, descriptive qualitative and triangulation analysis methods will be used by collecting data or information obtained from PT. Garuda Indonesia. After that, data collection, data processing, and analysis are carried out to answer the problem formulation. A descriptive qualitative research method is the method used by researchers to find knowledge or theory of research at one particular time (Mukhtar, 2013: 10). Triangulation is essentially a multimethod approach conducted by researchers when collecting and analyzing data. The basic idea is that the phenomenon under study can be well understood so that a high level of truth is obtained if approached from various points of view (H. Mudjia Rahardjo, 2010). The method applied in this research is descriptive qualitative method and triangulation. Through this method, the authors try to reveal an analysis of the impact of the COVID-19 pandemic on the airline business of PT. Garuda Indonesia. This descriptive research method is used in language research to collect data and describe it naturally. The work steps of this method are to analyze and to describe the impacts of the Covid-19 pandemic on the airline business of PT. Garuda Indonesia.

Results and Discussion

The country's aviation industry has begun to look for ways to maintain its business amid the COVID-19 pandemic which has caused many people stay at home. The policy certainly has an impact on the aviation industry. The data sources of this research are (1) primary data from various seminars attended by researchers, in-depth interviews, and the media interviews of Irfan Setiaputra as the President Director of PT.

Garuda Indonesia and (2) secondary data obtained from the official website on the internet. Our analysis will explain how the impacts were felt by airlines in Indonesia, especially by PT. Garuda Indonesia and their strategies in overcoming these various impacts.

NO	Interview Type	Name of Interviewee
1	Focused Interview in - Depth Interview	Alfiansyah Pratama, Coordinator of Digital Facility Server of PT. Angkasa Pura II
2	Focused Interview in - Depth Interview	Hanif Rahma Hakim, Sales and Distribution of PT. Garuda Indonesia

1. What are the impacts of the COVID-19 pandemic on the airline business in Indonesia?

According to Angkasa Pura 1 and 2, in one month there were 12,703 flights canceled, of which 11,680 were for Domestic and 1,023 for International. Note that in Bali, the 38 daily flights carrying 6800 passengers have also been canceled since mid-February. The cancellations of aircraft departures from international and domestic terminals were quite drastic. Before this outbreak, the average number of passengers could reach 1.3 million annually, especially at Terminal 3 of Soekarno Hatta International Airport. In February to March, as many as 1835 flight schedules for both domestic and international routes were cancelled. From April to May, the number of international passengers decreased to 95.3%. With the current pandemic condition, many airlines have reduced or even canceled their flights. For example, PT. Citilink Indonesia stopped the operations on the route that had just opened, namely Denpasar to Avalon Victoria in Australia. Lion Air also closed all flights to China and for Umrah, as well as many domestic routes. Air Asia Indonesia had also stopped and canceled all flights as of 1 April 2020 (CSE Aviation, 2020). With these 4 major airports in Indonesia in Jakarta, Bali, Medan, and Surabaya, there had been a 44% decrease in the number of domestic passengers and 45% in international passengers. (Rahma, Athika. Liputan6.com 2020)

The Chairperson of the Indonesian National Air Carrier Association, Denon Prawiraatmadja, revealed the value of the losses suffered by the airlines because of the impacts of COVID-19. In the last 3 months (as of April 2020), the total losses of domestic airlines reached USD 812 million and international airlines reached USD 749 million, or around more than USD 1.5 billion or equivalent to Rp 23.3 trillion (Rupiah exchange rate of 15,585 per US dollar). (Rahma, Athika. Liputan6.com 2020).

The loss of revenue in the air service sector was Rp 270 billion with around Rp 48 billion contributed by flights to and from China, "Sri Mulyani said through a Video Conference in Jakarta, Friday (17/4). The loss of revenue was caused by the closures of and the operational restrictions at several airports. Throughout Indonesia, until now 15 airports have closed their flight activities. (Liputan6.com, 2020)

2. *What are the impacts of the COVID-19 pandemic on the airline business of PT. Garuda Indonesia?*

To reduce the spread of COVID-19, the number of aircraft passengers per flight must be reduced for the implementation of social distancing by conducting physical distancing per seat. With the new regulations, the aircraft is allowed to carry 70% of passengers (Minister of Transportation SE Number 13/2020) (Permenhub Number 41/2020). Of the 3 seats available, the middle seat should be empty, and in the business class of 2 seats, it can only be filled with 1 person. There is no upper limit tariff adjustment policy so that even though the aircraft is fully loaded, the airline still has the potential to suffer losses because the airline's upper limit tariff is calculated with a fairly high seat load factor. Therefore, airlines can raise prices within reasonable limits, to cover seats that are vacated for physical distancing. The existence of various health protocols, PSBB, and the fact that the community are encouraged to work at home have caused an extraordinary reduction in the amount of pax for PT. Garuda Indonesia, at almost 90%.

PT. Garuda Indonesia has also experienced a decrease in the frequency of flights to certain cities, for example, flights that initially were 10 times daily declined to 8 or 7 times. Other destinations that usually had 5 flights, reduced to 3 times, and also destinations that usually had 3 flights decreased to 1 time. However, until now

Garuda continues to carry out their obligations; there is no city that they do not serve. Even though the load factor is a bit harsh, Garuda still strives to continue serving passengers. Therefore, almost 70% of the planes were grounded. The number of planes flying is very low compared to previous years. These conditions have very significant implications to Garuda's performance because the new directors who have just joined are directly confronted with this situation. (Tempo Media Group, 2020)

Figure 1
Monthly Operating Statistics

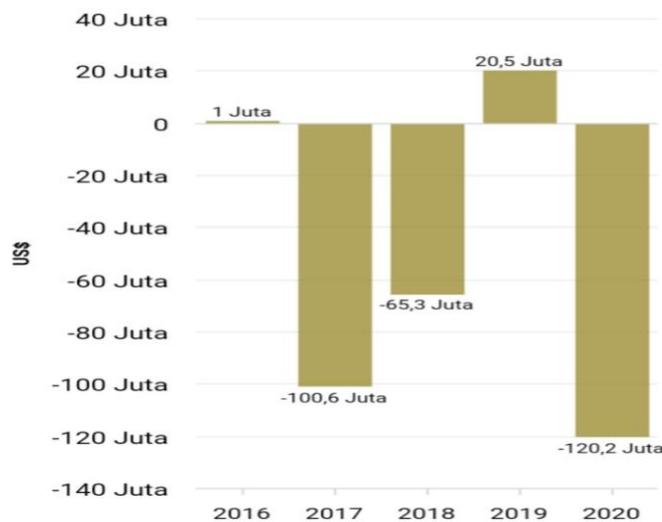
Indicator	May 2019	May 2020	CHG	YTD May 2019	YTD May 2020	CHG
GARUDA INDONESIA (DOMESTIC)						
Passanger Carried	1,099,785.00	24,209.00	-97.80%	5,768,032.00	2,744,305.00	-52.42%
ASK (000)	1,402,507.86	216,421.72	-84.57%	7,023,691.64	4,383,477.56	-37.59%
RPK (000)	974,598.44	23,842.04	-97.55%	5,102,868.38	2,468,815.74	-51.62%
SLF (%)	69.49	11.02	-58.47 pp	72.65	56.32	-16.33 pp
Passanger Yield (USc)	11.44	9.86	-13.81%	11.05	10.25	-7.24%
Cargo Carried (Ton)	15,399.87	7,339.14	-52.34%	77,151.11	49,495.50	-35.85%
CASK (USc)	8.17	14.72	80.17%	8.14	9.51	16.83%
CASK-Excl Fuel (USc)	5.88	11.94	103.06%	5.91	7.27	23.01%
Cargo Yield (USc)	82.21	93.51	13.75%	84.49	91.32	8.08%
GARUDA INDONESIA (INTERNATIONAL)						
Passanger Carried	307,445.00	7,866.00	-97.44%	1,843,637.00	686,633.00	-62.76%
ASK (000)	2,314,183.47	197,933.53	-91.45%	12,598,563.55	5,542,980.58	-56.00%
RPK (000)	1,356,064.27	35,717.77	-97.37%	8,421,516.21	3,266,838.57	-61.21%
SLF (%)	58.60	18.05	-40.55 pp	66.85	58.94	-7.91 pp
Passanger Yield (USc)	6.28	6.74	7.32%	5.99	6.02	0.50%
Cargo Carried (Ton)	9,236.78	2,192.65	-76.26%	44,955.21	23,992.45	-46.63%
CASK (USc)	5.89	11.50	95.25%	5.48	6.51	18.80%
CASK-Excl Fuel (USc)	3.99	9.47	137.34%	3.69	4.72	27.91%
Cargo Yield (USc)	18.18	37.69	107.32%	16.35	15.62	-4.46%

Source: https://www.garuda-indonesia.com/en/en/investor-relations/company_data/monthly-operating-data/index

Next is the cancellation of Hajj. Garuda's income generally rose at the end of the year for Eid and Hajj flights. In the current condition, Eid was not available, Hajj flights were canceled, and it is still unknown whether there will be a joint holiday at the end of the year. Initially Garuda Indonesia was formed for the needs of Hajj flights, which could generate very significant income. Within a week, normally there were as many as 24 flights to Saudi Arabia for Umrah, but in these conditions, it automatically stopped. The cancellation of Hajj and Umrah greatly affected the cash flow of PT. Garuda Indonesia. Based on the annual report of PT. Garuda Indonesia in 2019, Garuda carried 110,308 Hajj passengers and received revenue of USD

234,266,888. With the price increase of 15% for 2020, PT. Garuda Indonesia's lost revenue due to the cancellation of the Hajj in 2020 was estimated at USD $234,266,888 + 15\% = \text{USD } 269,406,921$.

Figure 2
The loss of PT. Garuda Indonesia in 1st Quarter 2020



Source: Indonesia Stock Exchange, PT, and katadata.co.id, 1 July 2020

Not to mention the loss of revenue from Umrah flights even though they had run until early March. Based on the data from the Umrah planning for January-June 2020 PT. Garuda Indonesia then the estimated the total pax was 599,915, and the price was IDR. 9,600,000. With these data, it was estimated that PT. Garuda Indonesia lost revenue due to the cancellation of Umrah with the following calculation of $\frac{4}{6} \times 599,915 \times 9,600,000 = \text{IDR } 3,839,456,000,000$ or equivalent to USD 26,578,406.

3. How does Garuda Indonesia overcome the effects of the Covid-19 pandemic?

PT. Garuda Indonesia is optimizing Cargo services to be a new base at this time for export and others, especially since the current government regulations allow placing goods on passenger seats so that grounded passenger planes can be used for cargo purposes. The condition is that the weight of an item is not more than 70 kg

per seat. On average, 3 rows of aircraft seats can hold 210-220 kg. They can also optimize the charter flights because many companies need to repatriate. (Tempo Media Group, 2020)

In the new normal era, PT. Garuda Indonesia wants to prioritize the courier business because so far Garuda Indonesia has always relied on the business of transporting goods to other parties. With limited mobility, people send goods as a new form of intimacy, becoming a sustainable community. They introduced the product "Kirim Aja" service delivery goods based on digital applications which allows customers to send goods out of town. Soon, PT. Garuda Indonesia will introduce another new product called "Pesan Aja". With this, Garuda Indonesia is expected to increasingly understand customer needs and get closer to customers. (Tempo Media Group, 2020)

Garuda Indonesia has also always actively involved in humanitarian activities carrying a lot of equipment for handling COVID-19 from abroad and they also actively involved with several embassies for repatriation. (Detik.com, 2020)

Even with the very significant decrease in the number of passengers and flight frequencies, Garuda Indonesia continues to serve all flight routes by optimizing flight frequencies and capacity both domestically and internationally and closing routes that do not generate profits (Kompas.com, 2020). Garuda Indonesia is also developing an international hub (Amsterdam and Japan) so that Garuda Indonesia services can reach the entire world by optimizing interline services. Garuda Indonesia also maintains direct flights as a mainstay. Having a recovery plan that can be quickly executed is done by Garuda for its domestic market, Garuda has a very strong branding in the domestic market. Garuda Indonesia will immediately recover internationally and open routes that are not expected to be affected by COVID-19. Garuda plans to open routes to India, Bangkok, and Kuala Lumpur directly to Denpasar. (Detik.com, 2020)

Conclusion

The biggest impact experienced by PT. Garuda Indonesia, other airlines, or even the aviation world as a result of the presence of the COVID-19 pandemic was a decrease in the number of passengers. The decline in the number of passengers was due to the number of routes that experienced flight cancellations. They had to implement health protocols from the government that require people to stay at home, do social distancing, and also cancel the trip for Hajj and Umrah. The decrease in the number of passengers due to COVID-19 also resulted in a decrease in the number of flight frequencies even to the point of having to stop operations on certain routes, which of course greatly affected revenue from the airline.

Suggestion

PT. Garuda Indonesia is expected to be more adaptive and creative in running and developing its business opportunities, maximizing its strengths and competitive advantages, managing diversified strategies with innovations while continuing to prioritize safety and security aspects and of course customer satisfaction so that it can continue to attract customers' interests and expand their market share, and also more responsive to have a recovery plan that is fast and appropriate to deal with conditions like this.

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