ECONOMIC RECOVERY OF INDONESIAN AVIATION INDUSTRY IN NEW NORMAL ERA

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Abstract: Indonesia has now entered the new normal phase after a few months of the COVID-19 outbreak which has paralyzed the economy due to the large-scale social restriction (PSBB - Pembatasan Sosial Berskala Besar), which was implemented to stop the spread of the virus that does not yet have a vaccine or cure. The Aviation industry is one of the affected. It is feared that airlines will continue to suffer losses if the government does not take the right steps. Other aviation industry sectors such as Air Navigation (AirNav), aviation fuel providers and airports will continue to suffer losses. The government and airlines must implement the proper measures in order to recover the aviation industry's business economy. This study was conducted aiming to find out what steps should be taken by the government and airlines in order to recover the aviation industry's economy from the perception of Indonesian aviation practitioners. This research uses a qualitative approach by doing triangulation.

Keywords: economic recovery, aviation industry, new normal, Covid-19, government strategy

INTRODUCTION

COVID-19 pandemic has a negative impact on the aviation industry in the world, especially the aviation industry in Indonesia. A few months since COVID-19 broke out, precisely in March, aviation became one of the first industries affected, causing the Indonesian aviation industry to not operate normally domestically and internationally. The virus, which does not yet have a vaccine or cure, has forced the government to limit the movement of people with the introduction of Large-Scale Social Restriction (PSBB). Then in March, the government stopped all scheduled flight activities to further realize this PSBB implementation, then the airline was again allowed to fly with a passenger limit of 50% in May, and to only 70% per flight in June, which finally led to passenger limitation to be removed (Tribun Kaltim, 2020), because passenger limitation was considered ineffective and only harms various parties; the airline, passengers, and the tourism sector. According to Sri Mulyani, the Ministry of Finance of Indonesia, for Indonesia itself, the impact of the coronavirus on flights was quite significant. One proof is the reduction in the number of flights, and initially there were approximately 79,000 flights in Indonesia both international and domestic routes. At present, due to the corona pandemic, the number of flights remaining is only 70 flights (Hartomo, 2020).

From an economic point of view, the aviation industry has a hard time surviving. Many are no longer thinking about profits, but think about how the business can survive so as not to go bankrupt. Coronavirus has made the Indonesian aviation business lost Rp.2.2 trillion and the losses came from domestic flights amounting to Rp1.2 trillion and international flights amounting to Rp1 trillion. This loss has been experienced since February 2020. The most significant decline in international and domestic flights occurred at four main airports; they are Soekarno-Hatta Tangerang, Kualanamu, Juanda Surabaya, and I Gusti Ngurah Rai Bali. For the period from February to April, at the 4 airports, the international flights dropped by 45 percent. Meanwhile, domestic flights dropped by 44 percent (INACA, 2020).
Quoted from the Central Bureau of Statistics (BPS – Badan Pusat Statistik), from February to April 2020 the number of passengers departing on domestic flights at Indonesia's major airports has decreased significantly. The condition is shown in the following table:

<table>
<thead>
<tr>
<th>Airport</th>
<th>2020</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>February</td>
<td>March</td>
<td>April</td>
</tr>
<tr>
<td>Polonia</td>
<td>227,602</td>
<td>172,348</td>
<td>29,386</td>
</tr>
<tr>
<td>Soekarno-Hatta</td>
<td>1,551,967</td>
<td>1,211,355</td>
<td>191,000</td>
</tr>
<tr>
<td>Juanda</td>
<td>481,881</td>
<td>408,725</td>
<td>97,748</td>
</tr>
<tr>
<td>Ngurah Rai</td>
<td>346,962</td>
<td>253,517</td>
<td>44,122</td>
</tr>
<tr>
<td>Hasanuddin</td>
<td>273,885</td>
<td>230,917</td>
<td>49,046</td>
</tr>
</tbody>
</table>

(Badan Pusat Statistik, 2020)

This loss does not only affect the airlines, but also all sectors that accompany it such as the tourism sector, accommodation and retail business sectors that exist at the airport or at the tourism site. With the collapse of these sectors, it will be difficult for the aviation industry to recover soon. According to the International Air Transport Association (IATA), the flow of passenger aircraft in Asia and the Pacific will only recover about 2.1 years after the pandemic is over (Wikipedia, 2020).

Indonesia has now entered the new normal stage after the last few months hit by COVID-19, which has made the entire economy paralyzed. The Ministry of Transportation stated that it would create new rules related to new normal in the air transportation sector and this is to accommodate the needs of all stakeholders in the new era after this pandemic. The Indonesia National Air Carriers Association (INACA) revealed the air transportation industry could not survive until next year. This condition can occur when airlines have to face the Coronavirus pandemic and various policies that make passenger activity temporarily stopped. The government must take quick steps to prevent the COVID-19 epidemic from pushing the economy even deeper. Some Indonesian airlines will not be able to survive until 2021 if the pandemic problem is not immediately suppressed. Not to mention the direct impact on supporting industries such as airports, AirNav and Avtur operators which are not possible to continue to carry out their operational activities without operating revenues obtained from the airline.

How to realize economic recovery in the aviation industry in Indonesia? What can be done is to re-operate the airline with the support of the government that is related to government policies and regulations. How the government makes policies in this new normal era will have a major impact on airline operations. Government support is also needed since the losses suffered by airlines may be covered by government assistance. The recovery phase must also be strengthened by the coordination and cooperation of stakeholders in the national aviation sector, including regulators, airlines, the Ministry of Health's Port Health Office (KKP), and airport operators to maximize airline operations at the airport. Then making efforts to restore consumer confidence can be done by implementing health protocols to improve safety so that passengers are confident with their flight being safe from the risk of contracting COVID-19. The last
one is returning the reasons why people get on a plane. Many people get on a plane for a reason like business, family visit, holidays, etc. but no longer get on a plane because of COVID-19, so bringing back the reason why people get on a plane is the right thing.

From the description above, this study formulates the problem of this research that what the steps that should be taken either by the government or by all sectors of the aviation industry to realize the economic recovery of the Indonesian aviation industry in the new normal era based on perceptions of aviation practitioners are. The objective of this research is to find out what the economic recovery steps of the Indonesian aviation industry should be taken by the government and the Indonesian aviation industry sector in the new normal era based on the perception of aviation practitioners.

LITERATURE REVIEW

1. Economic Recovery

Economic recovery is the business cycle stage following a recession that is characterized by a sustained period of improving business activity. Normally, during an economic recovery, gross domestic product (GDP) grows, incomes rise, and unemployment falls and as the economy rebounds (Chappelow, 2020). During recovery, the economy undergoes a process of economic adaptation and adjustment to new conditions, including the factors that triggered the recession in the first place and the new policies and rules rolled out by governments and central banks in response to the recession. The labour, capital goods, and other productive resources that were tied up in a business that failed and went under during the recession are re-employed in new activities as unemployed workers find new jobs, and failed firms are bought up or divided up by others. Recovery is the economy healing itself from the damage done, and it sets the stage for a new expansion (Chappelow, 2020).

2. New Normal

New Normal is a term used to reflect a change in society, particularly in relation to business and economics, that refers to a significant change in financial and business conditions. It has been used following the financial crisis of 2007-2008, the aftermath of the 2008–2012 global recession, and the COVID-19 pandemic. The term has since been used in a variety of other contexts to imply that something which was previously abnormal has become commonplace (Wikipedia, 2020).

The term arose from the context of cautioning the belief of economists and policymakers that industrial economies would revert to their most recent means post the 2007-2008 financial crisis (International Monetary Funds, 2010).

3. Triangulation Method

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. Photographing single phenomena from different points of view will allow a reliable level of truth to be obtained. Therefore, triangulation is an attempt to check the truth of data or information obtained by researchers from a variety of different points of view by reducing as much as possible bias that occurs when collecting and analyzing data (Raharjdo, 2010).
METHOD

This study is qualitative by using the triangulation method. Triangulation used is the source triangulation model. The study checks and establishes validity by interviewing practitioners in the aviation industry from different perspectives and perspectives which then are confirmed with other sources. Until the data is complete and saturated as well as validation from various sources so that it can be the basis for drawing conclusions. In this technique, the study is expected the data collected could meet the construct of drawing conclusions. The first informant that works as the CEO (Chief Executive Officer) in kertajati international airport recommends to interview the second and the third informants. The second informant is a person who works at the immigration in Soekarno-Hatta airports, and the third one is a former worker in the aviation industry area.

DISCUSSION AND RESULTS

1. Re-operate the airline with government support

By being allowed to re-operate by the government, the air transportation system will resume. Recently it depends on each airline; how they would like to run their operations. Summing up from the data, reduction and cost efficiency are strategies that must be carried out by airlines, such as:

1. Re-structuring costs (carrying out cost efficiency) with the approval of the Department of Finance (shareholders), that is SOEs (State-owned enterprises – Badan Usaha Milik Negara (BUMN) and depreciation is extended so that the unit cost is low.
2. Re-negotiation with creditors and aircraft owners and it must be negotiated because many planes are not operating.
3. Route efficiency is done by not opening new routes because the market has not grown then it turns into market share that is the frequency of share, as well as viewing of supply and demand.

Another strategy that airlines can do is to increase ticket prices because this is one of the right strategies for recovering finances that have been weak. This is supported by the government, who agreed to airlines to increase ticket prices. Then maximizing revenue from cargo transportation is one of the strategies to increase
revenue besides transporting passengers. The government can also ease the burden on airlines while not operating by freeing obligations that are routinely paid while they are not operating, such as work permits and flight permits.

With the airline re-operating, there will be operational costs incurred, and these costs will burden the airlines that are struggling. Therefore, government support is required to make airline operations run more easily. Summing up from the statements of various sources, they argued that the government must determine policies and regulations that essentially can provide support related to airline operational costs, such as:

- The government should make policy through the Directorate General of Civil Aviation (DJU) to PT. Angkasa Pura and PT. Pertamina to provide discounts on operational costs, such as landing fees, ground handling fees, route charges, parking leases, airport tax, aviation fuel prices, and navigation.
- Providing relief for payment of costs such as security clearance, Non-Tax State Revenue (PNBP), Vehicle Number Certificate (STNK), aircraft to all airlines because if the planes do not fly then PT. Angkasa Pura will not get an income, and the government will not get dividends. If the planes fly, Angkasa Pura will get income from Passenger Service Charge (PSC).
- The government must be fair on licensing flight hours, both private and state airlines.
- Airlines and the government can simplify the corona rules and requirements to DJU. The policy applied must not be sectoral (only air transportation) but must be comprehensive. The policy of the need for rapid and swab tests before air travel is very burdensome for passengers because they have to pay extra costs and the policies to Corona should get subsidies from the government so that the tests are free of charge.

2. **Optimizing slot time at the airport**

In the new normal era, PT Angkasa Pura and the airlines are targeting slot time to increase gradually. Slot time optimization is supported by reactivation of flight routes related to increased demand that will increase aircraft utilization. Optimization of aircraft utilization will be done when the aviation sector has entered the recovery stage.

3. **Restoring Consumer Confidence**

Concluding statements from several speakers, restoring consumer confidence while keeping up to address necessary health precautions will come to the fore as another challenging subject for the airlines, as flights are no longer expected to be the same as they were before and much work needs to be done on the ground to address any health concerns before customers board an aircraft. This may include:
1. Temperature testing at airports

2. Physical distancing queue application

3. Each airline installing High-Efficiency Particulate Air (HEPA) filter in each aircraft to clean the air and contaminated the bacteria.
4. Disinfection the aircraft every day

5. Require all passengers to wear a mask

6. Cabin crew use protective equipment such as a mask, face shield, and gloves, also their health is being checked every day

The government can support airlines to restore passenger confidence by following up on hoax news related to COVID-19 transmission at airports or planes. Reducing the number of COVID-19 positive cases is also related to the confidence of prospective passengers to use plane again.

4. **Normalization of airport operating hours**

   Providing flight navigation services must be in line with the normalization of airport operating hours while maintaining safety aspects. Normalization is carried out due to increased demand for flight traffic and airlines began reactivating flight frequencies on each route. Normalization is done by monitoring Flight Plan (FPL)
according to the route permit through the FPL Center and applying a delay slot to adjust the passenger boarding process at the airport terminal. Various parties related to air transportation support the national aviation sector recovery.

5. Bring back the reason why people use Air Transportation

Summing up from the opinions of various sources, this is related to the Indonesian economy. If the economy improves, the final phase of the new normal where all sectors are reopened will be a reason for people to travel by plane whether for business, travel, family visits, or for others. The reopening of the business and tourism sectors will accelerate Indonesia's economic recovery, Indonesia's economic recovery will have a positive impact on the aviation industry and vice versa. All this is done by following the new normal rules which safety is the most important. The government continues to tighten safeguards so that all people obey the new normal rules so that all activities can be carried out safely without worrying about contracting COVID-19.

Conclusion

The economic recovery of the Indonesian aviation industry will not be successful without the support of government. The policies and regulations taken by the government greatly affects the survival of airlines in the aviation world. The operation of the airline is the core of the aviation world and without any aircraft operating, the other aviation sector will not be alive, such as AirNav, airports, and aviation fuel providers. The strategy adopted by airlines to survive is the efficiency and cost reduction. For the loss, the government should help to minimize by freeing obligations while they are not operating and giving discounts to other costs during operation. The airline must also try to convince passengers to fly again by showing that when flying safety is provided so that passengers are not afraid of the threat of COVID-19 transmission and the airline must show their credibility by continuing to maintain the application of health protocols for each of their operations.

Suggestion

The government should continue to provide support to airlines to facilitate their operations. Policies set for the world of aviation must be “one door” in this new normal era, meaning that the policies in each province and region must be the same and it is not confusing the airlines that carry out their operations. This “one-door policy” will make it easier for airlines to operate as well as to facilitate passengers who will travel by air transportation. Airlines should continue to maintain consistency in the efforts to implement health protocols during their operations although reduction and cost efficiency are a strategy that must be done. The services provided by the airline must still be maintained. In addition, the policy on the Corona regulation must be thoroughly implemented both in land, sea, and air transportation without any discrimination.

References


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