

PRESS RELEASE

Indonesia Aviation Industry: ASEAN Open Skies, Challenges & Opportunities

- **Indonesia, Southeast Asia's largest economy, contains a burgeoning middle class that is increasingly using air transport for domestic and international travel.**
- **Being the world's largest archipelago and home to 250 million people, air travel is the easiest option for fast travel across the country.**
- **A key obstacle to expansion faced by Indonesia's aviation sector (as well as other sectors) is the lack of adequate infrastructure.**
- **MTI is calling all stakeholders to collaborate to build airports to answer the needs of aviation services in the region.**

Jakarta, 26 October 2015 – The aviation industry in the Asia-Pacific region is one of the world's fastest growing regions in terms of air travel. Indonesia, Southeast Asia's largest economy, contains a burgeoning middle class that is increasingly using airplanes for domestic and international transport. Being the world's largest archipelago that is home to 250 million people, air travel is the easiest option for fast travel across the country.

The Chairman of the MTI, Prof. Danang Parikesit said, "However, one of the main obstacles that has been faced by Indonesia's aviation sector is the lack of adequate infrastructure. This includes the lack of appropriate sized airports (including runways) and (toll) roads/railway tracks to and from the airports".

As an illustration, the Soekarno-Hatta International Airport, located just outside the capital city of Jakarta, was designed to handle 22 million air passengers per year but had to absorb 62.1 million passengers in 2013. Based on a projection by the Indonesian government, the number of air passengers at this airport will grow to 80 million per year by 2019 or 2020.

Due to various Indonesian airports working at overcapacity, the government has invested in airport development in recent years. The Soekarno-Hatta Airport is currently being renovated; the Ngurah Rai International Airport in Bali has just been renovated and expanded, while a complete new airport has been developed close to Medan in North Sumatra (Kualanamu International Airport).

However, the government has only been able to invest in a handful of large airports, while there remain about 200 of smaller airports across the country that lack sufficient infrastructure. Therefore, the Indonesian government is now offering several airport development projects to the private sector in the form of public-private partnerships (PPPs), including Juanda Airport in Surabaya (East Java), and airports in Tarakan (North Kalimantan) and Labuan Bajo (Flores).

ASEAN Open Skies Policy

Increased competition is also one of the main concerns as it is feared that most Indonesian airlines are not ready to face tough competition after the full implementation of the ASEAN Open Skies policy. Indonesia is Southeast Asia's largest aviation market and therefore foreign airlines, particularly from Malaysia and Singapore, will be eager to tap this potential by opening domestic routes.

Danang said, "Various issues, such as the government's tax policies, airport inefficiencies (weak infrastructure), the lack of professional human resources (pilots, aircraft technicians and air traffic controllers), and high aviation fuel costs make Indonesian airlines less competitive compared to their Southeast Asian counterparts".

The Indonesian Transportation Ministry confirmed that international airports in five Indonesian cities - Jakarta, Surabaya, Denpasar, Medan, and Makassar - will be ready to fully open their skies by the end of 2015. However, the larger number of airports is also a disadvantage. For example, Singapore Airlines will be able to gain passengers in these five Indonesian airports, whereas Indonesian airlines can only fly to one airport in Singapore. Hence, "MTI advises that the Indonesian government should put more effort in updating regulations and infrastructure in order to keep pace with expansion of Indonesia's air traffic", Danang added.

Next Steps

Amidst these challenges, there are opportunities for close collaboration between all participants. MTI will be hosting key investors and stakeholders in order to formulate the necessary plan of action to ensure the future of Indonesian aviation at Airports and Aviation Indonesia 2015 (AAI' 15). Held in conjunction with Indonesia Infrastructure Week 2015, AAI' 15 will connect foreign and domestic investors with Indonesian airports and aviation business players. MTI will also be hosting a forum within the event, called the Indonesia Airports and Aviation Business Forum (IAABF). This conference serves as a platform where all stakeholders can discuss the issues, share best practice from other countries and provide solutions to tackle issues in Indonesia.

"We look forward to everyone's involvement, particularly all participating companies relevant to the improvement of the aviation industry and its airports. We believe that accelerating the development of national aviation is possible if all stakeholders are willing to collaborate and add value to the aviation industry through AAI and IAABF 2015 forum," added Danang Parikesit.

For more information on AAI' 15 and IAABF'15, please visit:

<http://www.indonesiainfrastructureweek.com/>



About Indonesia Infrastructure Week 2015

Indonesia Infrastructure Week (IIW) 2015 is an annual event organized by Infrastructure Asia in collaboration with its partners. This year, IIW will be held in Jakarta Convention Centre in 4-6 November and will have four major industry sector exhibition and dialogue events:

- Indonesia International Infrastructure Conference and Exhibition (IIICE) 2015, hosted by KADIN Indonesia
- Konstruksi Indonesia (KI) 2015, hosted by Ministry of Public Works and Housing
- Airports and Aviation Indonesia (AAI) 2015, hosted by Masyarakat Transportasi Indonesia
- Connect Expo Comm Indonesia (CECI) 2015, hosted by Masyarakat Telekomunikasi Indonesia

Visitors to each of these events will automatically have access to all four events and can take part in a hosted buyer programme to meet with other business contacts.

For further information on IIW 15 please go to www.indonesiainfrastructureweek.com

Annex I

Themes and high level speakers of the forum

1. Anticipating Increased Regional Demand for Airports by Accelerating the Development Programme.



Co-Moderated by: Prof. Danang Parikesit, Chairman, Indonesia Transportation Society.

Anticipated high level speakers are:

- Ignasius Jonan, Minister of Transportation, Republic of Indonesia
- Patti Chau, Regional Director, Airport Council International, Asia-Pacific
- Sulistyono Wimbo Hardjito, President Director, PT Angkasa Pura I (Persero)
- Budi Karya Sumadi, President Director, PT Angkasa Pura II (Persero)
- Chairman, Lion Group

2. Strategies for Attracting Airport Investment and Financing.

Anticipated high level speakers are:

- Yudhaprana Sugarda, Head of Corporate and Performance, PT Angkasa Pura I (Persero); Case Study–New Yogyakarta Airport Project
- Dr. GVK Reddy, Founder Chairman and Managing Director, GVK
- Sinthya Roesly, President Director, Indonesia Infrastructure Guarantee Fund
- Gunawan Agus Subrata, Director of Finance & Information Technology, PT Angkasa Pura I (Persero)

3. Achieving World Class Safety Standards; Part 1 - Enhancing Passenger Experience.

Anticipated high level speakers are:

- Arif Wibowo, President Director, PT Garuda Indonesia (Persero) Tbk
- Djoko Murjatmodjo, Director of Operations & Engineering, AP2
- Heru Kuswanto, President Director, PT Railink Indonesia

4. Achieving World Class Safety Standards: Part 2 - Implementing Airport Security Protocols.

Anticipated high level speakers are:

- Nasir Usman, Director of Aviation Security, Ministry of Transportation
- Bambang Tjahjono, President Director, AIRNAV Indonesia
- Sancoyo Setiabudi, Country Manager, Cisco Indonesia

5. Design, Development & Planning for Successful Airport Infrastructure Across Indonesia.

Anticipated high level speakers are:



- Yon Sugiono, Director of Engineering and Business Development, PT Bandarudara Internasional Jawa Barat - Independent Airport Project Presentation:
- Kertajati International Airport
- Faik Fahmi, Director of Commercial & Business Development, PT Angkasa Pura II
- Bernard Craig, Southeast Asia Managing Director, Mott MacDonald

6. Public and Private Sector Collaboration: Delivering in an Age of Surging Customer & Freight Demands.

Anticipated high level speakers are:

- Suprasetyo, Director General of Civil Aviation, Ministry of Transportation
- Capt. Daniel Putut Kuncoro Adi, Director of Business Development, Lion Group

