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European Union Lifts Ban on Indonesian Airlines

By PETER GELLING

JAKARTA — The European Union has lifted a two-year ban on Indonesian airlines' entering its airspace, setting the stage for Garuda, the state carrier, to expand its operations worldwide.

The E.U. barred all 51 Indonesian airlines from landing on its runways in 2007, citing lax safety standards. The order also required travel agents in Europe to inform customers planning to travel in Indonesia of the country's poor safety record.

European Union representatives in Indonesia said Wednesday that the country had resolved all but a handful of the problems found in 2007, and Garuda, which has thrived despite the ban and the global economic downturn, received an air safety certification in 2008 from the International Air Travel Association, one of the world's most stringent.

The European Union lifted the ban Tuesday on Garuda and three other carriers: Mandala, a small passenger airline; the cargo operator PremiAir; and Airfast, which offers charter flights.

The ban remains in effect for other Indonesian airlines, including Lion Air, which currently has the largest numbers of passengers in the country and flies to several other Asian countries. The E.U. delegation, however, said the ban on Lion Air could be removed before the end of the year.

The ban came after a string of major passenger-jet crashes by Indonesian carriers in 2007. On March 7 of that year, a Boeing 737-400 carrying 140 passengers overshot a runway in Central Java, killing 21 people. Blame was placed on the pilot, who was jailed for criminal negligence. Several months before that, another 737 operated by the budget airline Adam Air crashed into the sea, killing all 102 people aboard.

The United Nations International Civil Aviation Organization performed an audit soon afterward that found Indonesia's airline industry lacking sufficient maintenance and safety training. The audit also found that Indonesia's aviation oversight body lacked the ability to punish airlines that did not meet international safety standards. In the United States, the Federal Aviation Administration lowered its rating on Indonesian airlines from Category 1 to Category 2, saying the airlines did not meet international safety standards but stopping short of a ban; that rating remains in place.

Garuda's reputation also took a major blow after a prominent Indonesian human rights activist, Munir Said Thalib, died during a Garuda flight in 2004. Pollycarpus Priyanto, a Garuda pilot, was sentenced to 20 years in 2008 for spiking Mr. Munir's drink with arsenic, and Indra Setiawan, a former chief executive of Garuda Airlines, was convicted as an accessory in the murder.

Indonesian transportation officials moved quickly to overhaul the aviation industry, addressing more than 120 safety and regulatory problems cited by the U.N. and the E.U. Shortly after the ban, the country grounded several airlines and permanently revoked the license of Adam Air, which at the time was one of the most popular domestic airlines. Indonesia also created an air safety commission reporting to the president.

In 2007, the rate of fatal crashes in Indonesia was significantly higher than the world average, according to

Ascend, a consulting company based in London. Indonesia had 3.77 fatal accidents for every million takeoffs in the three years that ended in March 2007, compared with a global average of 0.25.

In the past year, however, there have been no passenger-jet accidents in Indonesia, although there were several military plane crashes in May, one of which killed 90 people.

“With the removal of the airline ban by the European Union, the credibility of our airline industry has been restored,” Jusman Syafii Djamal, Indonesia’s transportation minister, said Wednesday.

The Indonesian airline industry has ballooned in the past decade as the government has worked to improve infrastructure among its 17,000 islands. It now carries more than 30 million people a year, up from about five million in 1998.

The end of the ban means Garuda can now pursue long-planned routes to Europe. It currently flies throughout Southeast Asia and to Australia, South Korea, Japan, Saudi Arabia and China.

The company’s chief executive, Emirsyah Satar, said Wednesday that Garuda expected to start flying to Amsterdam early next year. As the global economy improves, he said that Garuda would start looking at other European cities like London and Frankfurt.

“In fact, we are adding four brand-new Airbus 330s this year, which will be used to fly to Europe,” Mr. Satar said. “And by the end of 2014, we expect to double our fleet to 116 jets.”

Garuda has deftly managed to grow into one of the world’s few profitable airlines in recent years despite the E.U. ban and the global economic downturn. Mr. Satar said the company’s net profit had increased tenfold from 2007 to 2008, when it posted a net profit of almost \$70 million, primarily because of high domestic demand.

Indonesian air travel dipped only slightly in the first half of 2009, compared with much steeper drops regionally. Analysts say this is partly because Indonesia in general has weathered the global economic crisis better than other countries. Cheap fares and the necessity of air travel to get around the country’s many islands are also factors.

Mr. Satar said that efforts at snuffing out corruption and a \$760 million debt restructuring that he said would likely be completed in September have also helped the airline. He added that Garuda also planned to raise money by selling a public stake in the company during the first half of 2010, perhaps of as much as 20 percent.

“It was a blanket ban on Indonesia as a whole, but I think it still really affected our image abroad, especially in Europe,” he said. “I think that on the positive side, the ban made us try to do things even better.”

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