APPLICATION OF AIRPORT CONCESSIONS TO THE STATUS OF AIRPORT BUSINESS ENTITIES OWNED BY STATE-OWNED ENTERPRISES

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Abstract: Defining concessions will always be related to the concept of Public Private Partnership (PPP) and privatization of the public sector. Broadly speaking, PPP is a long-term engagement between the Government and/or public bodies and business entities, while privatization means the transfer of something under the control of the public sector to the private sector followed by commercialization. These things are in line with the concept of Concession, which is basically the transfer of management of a service/product which is basically the responsibility of the government to the private sector with a return from the government budget or revenue obtained directly from the end user (consumer) of the project and/or service. Based on Article 235 of Law Number 1 of 2009 concerning Aviation, airport services carried out by airport business entities are carried out based on concessions and/or other forms in accordance with the provisions of laws and regulations provided by the Minister and stated in the agreement. Currently in Indonesia one of the largest airport management business entities in Indonesia is PT Angkasa Pura I which was previously entirely owned by the Ministry of State-Owned Enterprises of the Republic of Indonesia, but is now controlled by PT Aviasi Pariwisata Indonesia (Persero) which is a State-Owned Enterprise. This creates a complexity in connection with the imposition of concessions, considering that based on its capital structure, PT Angkasa Pura I contains separated state wealth. These complexities include the imposition of concession fees and the delivery of assets, both obtained through State Capital Participation and sourced from own investments at the end of the concession period.

Keywords: Concessions, Business Entities, Airport

INTRODUCTION
The airport management industry in Indonesia is a very limited and exclusive industry. Based on data from the Directorate General of Civil Aviation website of the Ministry of Transportation accessed Monday (6/2/2023), there are 340 airports throughout Indonesia. Among all these airports, there is the Ministry of Transportation of the Republic of Indonesia through UPBU / UPT (Airport Operator Unit / Technical Implementation Unit) which manages airports in addition to business entities PT Angkasa Pura I, PT Angkasa Pura II, PT Batam International Airport, and PT Angkasa Pura Aviasi, where the two entities mentioned later are
affiliates of PT Angkasa Pura I and PT Angkasa Pura II. PT Angkasa Pura I and Angkasa Pura II themselves are incorporated in the *holding enterprise* of PT Aviasi Pariwisata Nusantara (Persero) based on Government Regulation Number 104 of 2021 concerning the Increase of State Capital Participation of the Republic of Indonesia into the Share Capital of the Company (Persero) PT Aviasi Pariwisata Indonesia whose entire shares are owned by the Ministry of State-Owned Enterprises of the Republic of Indonesia.

The monopolistic market is inseparable from the regulations in Law number 1 of 2009 concerning Aviation, which in Article 233 provides restrictions on parties who can carry out airport management, namely BUBU (Airport Business Entity) and UPBU. At least until 2021 there are only 2 business entities in Indonesia that have obtained designation as BUBU, namely PT Angkasa Pura I and PT Angkasa Pura II, each based on the Decree of the Minister of Transportation Number 197 of 2021 concerning PT Angkasa Pura I (Persero) as an Airport Business Entity and the Decree of the Minister of Transportation Number 107 of 2021 concerning PT Angkasa Pura II (Persero) as an Airport Business Entity. Until 2021, before the acquisition of PT Angkasa Pura I (Persero) and PT Angkasa Pura II (Persero) into PT Aviasi Pariwisata Indonesia (Persero), all BUBU operating in Indonesia were State-Owned Enterprises (SOEs).

Airport management in Indonesia, as well as the management of public services/facilities that are not carried out by the government, is carried out through a PPP (*Public Private Partnership*) mechanism (Leung, 2016). According to Hodge and Greave, PPP is a long-term engagement between government and business entities (Hodge & Greve, 2007). PPP involves financing, managing, and/or developing public projects and/or services (which should be the responsibility of the government) by business entities with financial returns derived from government budgets or revenues derived directly from end users (consumers) of such projects and/or services (Caves, 2004). In Indonesia, especially in the airport management industry, the return received by BUBU is the tariff paid by airport end users (e.g. airlines, passengers, tenants) based on the provisions of Article 243 of Law number 1 of 2009 concerning Aviation.

The privilege given by the government to BUBU to seek airport management and obtain commercial benefits from it is called the Concession (Tangri & Mwenda, 2019). Based on Article 1 point 10 of the Regulation of the Minister of Transportation of the Republic of Indonesia Number 81 of 2021 concerning Business Activities at Airports, a Concession is a decision of an authorized government official as a form of approval of the agreement of the Agency and/or Government Official with other than the Agency and/or Government Official in the management of public facilities and/or natural resources and other management in accordance with the provisions of laws and regulations. More specifically related to airport concessions, concessions are the granting of rights by the Government to
Airport Business Entities to carry out activities of providing and/or operating airport services at certain airports within a certain period of time and certain compensation (Article 1 point 9 of the Regulation of the Minister of Transportation of the Republic of Indonesia Number 193 of 2015 concerning Concessions and Other Forms of Cooperation between the Government and Airport Business Entities for Services Airport). The concession shall be set forth in the form of a Concession Agreement between the grantor and the recipient of the Concession, where the concession holder is required to deposit a certain amount to the Government as PNBP (Non-Tax State Revenue) in return for business rights, and the concession granted must be stated in the form of an agreement (Article 6 paragraph (3) of the Regulation of the Minister of Transportation of the Republic of Indonesia Number 193 of 2015 concerning Concessions and Other Forms of Cooperation between the Government and Airport Business Entities for Airport Services, Article 235 of Law number 1 of 2009 concerning Aviation). Based on this definition, it can be said that Concession is a form of PPP.

The imposition of concessions in airport management is not without blemishes and contradictions. For example, in the context of airport management by BUBU, in this case PT Angkasa Pura I, in addition to concessions, PT Angkasa Pura I’s contribution to the state is also manifested in the form of taxes and dividends to shareholders, i.e. PT Aviasi Pariwisata Indonesia (Persero) which ultimately distributes dividends also to the Government through the Ministry of State-Owned Enterprises. In addition, Article 121 paragraph (4) point b of the Regulation of the Minister of Transportation of the Republic of Indonesia Number 81 of 2021 concerning Concession Activities at Airports stipulates that in the event that the concession expires and is not extended, the land and airport assets whose management is carried out by an Indonesian legal entity (private) belong to the Central Government.

Especially for the second problem in the paragraph above, confusion arises when PT Angkasa Pura I has changed its status from a Company Company (BUMN) to a Limited Liability Company (private). In fact, in the process of developing production facilities and/or equipment ranging from land, buildings, to operational support equipment sourced from PMN (State Capital Participation) so that philosophically juridical assets should remain the property of PT Angkasa Pura I because of the ownership of PT Angkasa Pura I by PT Aviasi Pariwisata Indonesia (Persero). In addition, in other aspects of the implementation of its limited liability company, PT Angkasa Pura I is equated and/or treated as a SOE, for example the enforceability of the Regulation of the Minister of State-Owned Enterprises Number 1 of 2011 concerning the Implementation of Good Corporate Governance in State-Owned Enterprises and the enforceability of Law Number 31 of 1999 concerning the Eradication of Criminal Acts of Corruption sttd. Law
Number 20 of 2001 in the event of losses caused by criminal acts with certain offenses within PT Angkasa Pura I, and other aspects that obscure the limits of state control in PT Angkasa Pura I.

Taking into account the things mentioned above, the author finds things that can be of concern in the implementation of airport concessions in Indonesia in this case, especially for PT Angkasa Pura I, namely: the imposition of concession fees to SOEs and ex-SOE private companies in terms of the capital structure and ownership of BABU assets; and ideal concession arrangements to be applied in PT Angkasa Pura I airport concessions.

RESEARCH METHODS
Types, properties and approaches
This research is a doctrinal research, where this research the author refers to the legal norms and principles contained in laws and agreements or even decisions related to the application of airport service concessions as stipulated in the Aviation Law, including Government Regulation Number 32 of 2021 concerning the Implementation of the Aviation Field and Minister of Transportation Regulation Number 81 of 2021 concerning Business Activities Airport. Ronald Dworkin called the research method a research that analyzes both law as it written in the book, and law as it is decided by judge through judicial process.

The nature of this research will describe descriptively analytically because the formulation of the problem prepared also begins with the question of what and how to test the substance of applicable laws and regulations by relating legal doctrines and practices of positive law implementation related to the problem. Descriptive because in this study it is expected to obtain a comprehensive and systematic view as well as analytical. Furthermore, the author will examine legal facts, legal construction, implementation of laws and regulations related to airport concessions and regarding the Concession Agreement between the Directorate General of Civil Aviation and PT Angkasa Pura I. furthermore, to provide a complete picture of the application of concessions by the State, the author will also make a comparison (comparative approach) the application of concessions on ports and toll roads in Indonesia and the application of airport concessions in several countries.

Sources and materials
This doctrinal research uses primary legal material as the main legal material in the completion of this research. Primary legal material whose contents have binding legal force to the community is the legal basis for the authors of this study whose laws, government regulations, ministerial regulations, and agreements. In addition, the author also uses material in the form of academic manuscripts.

RESULT AND DISCUSSION
Airport Concessions in Indonesia
Discourse on concessions cannot be separated from the topic of privatization and corporatization. According to Guislain and Kerf, concessions are an effective method of privatizing the public sector, and thus stimulating competition in
monopolistic markets. Privatization itself means the transfer of something (service / product) that is under the control / responsibility of the public sector to the private sector (Environment and Planning C: Government and Policy, 1991, volume 9, pp. 155-17). Guislain and Kerf divide concessions into two types: a. *Lease and Operate* where the concessionaire provides assets and facilities; and b. *Stricto Sensu* where concessionees invest themselves to build/develop concession objects (Guislain & Kerf, 1995).

According to Tri Hayati, it is considered a licensing regime in the perspective of state administrative law (Tri Hayati, Concession in the Perspective of State Administrative Law: Mining Sector Licensing in Indonesia, in the Inauguration Ceremony Speech as Professor of Law, Faculty of Law, University of Indonesia 2022). Law Number 1 of 2009 Article 235 has also stated that the concession regime must be stated in an Agreement and not only regarding the permit for the operation of Airport Business Entities alone.

Permits, which are one-sided public law acts, are issued by government officials unilaterally based on their public authority. Such licensing includes the type of favorable decision, which can take the form of permits, dispensations, licenses, and concessions. Thus, it can be seen that concessions are a form of licensing in the realm of public law.

Broadly, according to the IFRS (International Financial Reporting Standard) Interpretation Committee, a concession also called a *service concession* is defined as an arrangement whereby a government or other public body makes an engagement with a private operator/entrepreneur to build or develop, cultivate, manage, and maintain the concessionee’s infrastructure or assets, where the concessionor regulates the form of service, end users, tariffs / prices imposed on end users, and other rights and obligations arising after the expiry of the concession period (*IFRIC interpretation 12*).

According to the European Union, concessions are defined as public-private sector partnerships. These partnerships enable the mobilization of private capital and expertise to stimulate public infrastructure investment without creating a debt burden on public budgets. The EU also provides a clear picture of the difference between Public Contracts and concessions. In a public contract, the contractor receives a certain and fixed amount agreed from the beginning for certain goods and or services, while in a concession the concessionee receives a return in the form of the right to receive profits from the management or exploitation of the services that are the object of the concession (*EU Directive No.2014/23/EU*).

Concessions don’t always have a positive impact. The biggest concern that arises over a concession is the conflict between the public interest and the corporation (de Palma 1 et al., 2012). This is because the public sector, which was previously controlled by the government and only oriented towards public services, will be burdened with commercial...
objectives to ensure returns for concessionaires. To mitigate this, many concession-related arrangements applicable around the world provide concessionee limits on profit margins, pricing charged to end consumers, and income mechanisms (In et al., 2017).

Airport concessions, like concessions in general, can be defined as rights granted by the government (concessionaire) to operate and control all or part of the activities at the airport for a certain period of time. In this mechanism, concessionees are entitled to profits and bear the risks arising from these activities. Usually at the end of the concession period, the assets that are the object of the concession are returned or handed over to the government (depending on the type of concession) (DeLoitte, IATA, Balanced Concessions for The Airport Industry, December 2018, p. 9).

There are several generally accepted airport concession models, namely: Design-Build-Operate (“DBO”); build-operate-own (“BOO”); built-operate-transfer (“BOT”); built-operate-own-transfer (“BOOT”); Design-Build-Finance-Operate-Maintain (“DBFOM”); and Operations and Maintenance (“O&M”) (DeLoitte, IATA, Balanced Concessions for The Airport Industry, December 2018, p. 9). If considered, all of these classifications contain elements of operate, meaning that in any type of concession scheme the concessionee has the right to operate the object of the concession. The model used in a concession agreement depends on the purpose of granting concessions, ownership of concession objects prior to concession agreements, political and financial factors of the government, and other factors. For example, concession models that contain elements of funding usually aim to reduce the burden of government debt or the unavailability of government funds, with incentives to concessionees that are longer concession periods.

In Indonesia, airport management by business entities is provided through two mechanisms, namely concessions and other forms of cooperation (Article 18 paragraph (1) of the Regulation of the Minister of Transportation Number 193 of 2015 concerning Concessions and Other Forms of Cooperation between the Government and Airport Business Entities for Airport Services, Article 235 of Law Number 1 of 2009 concerning Aviation). Concessions are granted for: management of facilities that have been built/developed by the Government and have been designated as State Capital Participation (PMN) to airport SOEs; management of facilities that have been built/developed by airport business entities BUMN airports; and management of facilities that have been built/developed by Airport Business Entities from other Indonesian Legal Entities (Article 19 paragraph (1) of the Regulation of the Minister of Transportation Number 193 of 2015 concerning Concessions and Other Forms of Cooperation between the Government and Airport Business Entities for Airport Services). While other forms of cooperation (lease/utilization cooperation/infrastructure provision cooperation) are given for: management
of facilities that have been built/developed by the Government and have not been determined as State Capital Participation (PMN) to Airport SOEs; and management of airport facilities built/developed using mixed funds of APBN, APBD, and BUBU (Article 21 paragraph (1) of the Minister of Transportation Regulation Number 193 of 2015 concerning Concessions and Other Forms of Cooperation between the Government and Airport Business Entities for Airport Services).

In addition, it is also stipulated that the amount of concession fees to be paid to the concessionaire by the concessionaire is based on the percentage of income from the concession object determined by the concessionaire with a value of at least 2.5%. This means that the percentage can be greater than 2.5%, which is made based on the formulation of airport traffic projections, airport tariff schemes, and the amount of investment (Article 27 paragraphs (1) and (2) of the Minister of Transportation Regulation Number 193 of 2015 concerning Concessions and Other Forms of Cooperation between the Government and Airport Business Entities for Airport Services). The termination of a concession agreement is if: the concessionee does not carry out its obligations as stipulated in the concession agreement based on the results of the Airport Operator's evaluation; the concessionee does not meet the performance standards specified in the concession agreement (Article 31 of the Minister of Transportation Regulation Number 193 of 2015 concerning Concessions and Other Forms of Cooperation between the Government); and the concession period as agreed ends (Article 32 paragraph (1) of the Minister of Transportation Regulation Number 193 of 2015 concerning Concessions and Other Forms of Cooperation between the Government).

Transfer and Transfer of concession assets after the end of the concession period

In regulating airport concessions in Indonesia, it is stipulated that after the expiration of the concession period, the concession airport facilities are transferred or handed over to the government (Article 93 paragraph (3) of Government Regulation Number 32 of 2021 concerning the Implementation of the Aviation Sector, Article 19 paragraph (3) and Article 32 paragraph (3) of the Minister of Transportation Regulation Number 193 of 2015 concerning Concessions and Other Forms of Cooperation between the Government and Airport Business Entities for Services Airport) regardless of the source of funding for its development. Switching means that the concession object facility returned to the previous government was built/developed by the concessionairor, while surrendered means that the concession object facility was previously built/developed by the concessionairor. Based on the Deloitte and IATA classifications mentioned earlier, airport concession arrangements in Indonesia always contain elements of transfer.

In this context, airport concession arrangements in Indonesia are different from concession arrangements in other
fields, such as ports. In port concessions in Indonesia, two types of concession agreements are known, namely BOT and BOO. In port concessions with the BOO pattern, land and buildings remain the property of the funding/investing party after the end of the concession period, while in the BOT pattern assets and facilities are returned to the government.

Similar arrangements are also applied to toll road concessions. After the concession period, toll roads will be returned to the government (Article 50 of Government Regulation Number 15 of 2015 concerning Toll Roads). However, the difference is in the context of toll roads, the managing business entity does not invest in concession objects. The concession object assets in the form of toll roads were prepared by the Ministry of Public Works and Public Housing. So that in returning to the state, basically the manager does not write off the concession assets because the manager does not invest in these assets. This is similar to the port concession arrangement, where the BOT scheme is applied only to business entities that do not invest in concession objects.

Economically, the provisions for the transfer / transfer of assets after port and toll road concessions do not result in business entities experiencing losses on investments that have been made. Meanwhile, in airport concession arrangements, especially if the concession object is built and developed by the airport business entity, there is a financial loss because the airport business entity has invested in the concession object submitted.

The handover of concession objects to the government after the expiration of the concession period is familiar to many concession-related arrangements in various countries, including for concession objects built or developed by concession recipients. Typically, concessionees who must surrender assets at the end of the concession period will count the investment to be written off as a cost that must be covered with income during the concession period in their projections and financial planning. However, including PT Angkasa Pura I, Airport Business Entities may not have calculated the write off costs for investments that have been made before the issuance of Law Number 1 of 2009 but must immediately hand over concession assets to the Government.

**airports by State-Owned Enterprises**

In its history, PT Angkasa Pura I was preceded by the State Company Angkasa Pura Kemayoran which was formed as an effort to privatize Kemayoran airport (Government Regulation Number 33 of 1962 concerning the Establishment of Angkasa Pura State Company) which was then divided into Perum Angkasa Pura I and Perum Angkasa Pura II, until finally Perum Angkasa Pura I became PT Angkasa Pura I. As mentioned earlier, One of the objectives of airport privatization aims to reduce the burden on the state and increase state revenue through profits or dividends from airport management with an emphasis on commercial purposes.

Furthermore, before the issuance of Government Regulation (PP) Number 104
of 2021 concerning the Increase of State Capital Participation of the Republic of Indonesia into the Share Capital of the Company (Persero) PT Aviasi Pariwisata Indonesia, PT Angkasa Pura I is a state-owned enterprise whose shares are mostly controlled by the Ministry of SOEs under the name PT Angkasa Pura I (Persero). However, after the issuance of the PP, the share ownership of PT Angkasa Pura I shifted to PT Aviasi Pariwisata Indonesia (Persero).

State-Owned Enterprises (SOEs) are business entities whose entire or majority of capital is owned by the state through direct participation derived from separated state assets (Article 1 point 1 of Law Number 19 of 2003 concerning State-Owned Enterprises sttd. Law Number 1 of 2022 concerning Job Creation). State Wealth in this case means state wealth/regional wealth managed alone or by other parties in the form of money, securities, receivables, goods, and other rights that can be assessed with money, including wealth separated from state companies/regional companies (Article 2 letter g of Law No. 17 of 2003 concerning State Finance).

No different from Limited Liability Companies in general which have the obligation to pay dividends or share of profits to shareholders (Article 52 of Law Number 40 of 2007 concerning Limited Liability Companies), Airport Business Entities in the form of Limited Liability Companies have the obligation to deposit dividends to their shareholders, in this case the government through the Ministry of State-Owned Enterprises as the majority shareholder. In addition, like all legal subjects and business actors in Indonesia, SOEs have fiscal obligations to the State in addition to dividends, specific to SOEs including divestment proceeds (General Explanation number II of Law Number 19 of 2003 concerning State-Owned Enterprises sttd. Law Number 1 of 2022 concerning Job Creation).

As stipulated in the Regulation of the Minister of Transportation Number 193 of 2015 concerning Concessions and Other Forms of Cooperation between the Government and Airport Business Entities for Service Services, airport concessions can be granted to SOEs, BUMDs, and private or Indonesian Business Entities. The imposition of concessions on SOEs is in the form of revenue based, meaning that the amount of concessions is calculated from a percentage of income. In contrast to asset-based concessions, where the concession amount is calculated based on the formulation of the concessioner's asset valuation sought by the concessionee. This raises several major problems in the imposition of concessions.

First, the purpose of state capital participation in SOEs is privatization, which is an extension of the government in the commercialization of the public sector. Charges by the state on entities established specifically for the purpose of generating revenue are contrary to the purpose of state capital participation itself because it will lead to a weakening of potential revenue. That is, the imposition of concessions indirectly reduces the value of State Capital Participation carried out in Airport Business Entities.
Second, Airport Business Entities are burdened with deposits to the State in three deposits, namely taxes, dividends, and concessions. Dividends are deposited in proportion to operating profits, paid in the event that the business entity generates profits. Tax is the obligation of every taxpayer without exception. Meanwhile, concessions amounting to at least 2.5% of revenue do not take into account whether the Airport Business Entity receives profits or suffers losses. In fact, airport concessions to SOEs are carried out with an appointment / assignment mechanism (Article 19 paragraph (2) of the Minister of Transportation Regulation Number 193 of 2015 concerning Concessions and Other Forms of Cooperation between the Government and Airport Business Entities for Airport Services). This means that the SOE managing the airport can manage the airport assigned to it where the airport does not provide benefits for SOEs but still has to pay concessions.

Third, the arrangement that at the end of the concession the asset must be handed over to the State regardless of whether the Airport Business Entity invests in the asset or not. When compared to port and toll road concessions, the inequality of fairness is very visible, where the transfer / handover is carried out only if the concessionee does not invest in the concession object.

Fourth, in the context of SOEs, asset transfer can only be done by: sale; exchange; Compensation; assets are used as capital participation; and other methods (Article 4 of the Regulation of the Minister of State-Owned Enterprises Number PER-02 / MBU / 2010 of 2010 concerning Procedures for Bookkeeping and Transfer of Fixed Assets of State-Owned Enterprises). Other methods in this case can be done if: a. transfer by way of Sale, Exchange, Indemnity and Fixed Assets as Capital Participation cannot be done; b. Fixed Assets transferred in value are not significant to the total value of the assets of the SOE concerned; c. does not interfere with operational activities / not productive fixed assets of SOEs; and d. obtain approval from the GMS/Minister and by taking into account the interests of the company (Article 13 of the Regulation of the Minister of State-Owned Enterprises Number PER-02/MBU/2010 of 2010 concerning Procedures for Bookkeeping and Transfer of Fixed Assets of State-Owned Enterprises). In fact, the recipient of the airport concession in the transfer / transfer of assets after the end of the concession period does not receive compensation even though the concessionee invests in the asset.

From the things mentioned above, it can be seen that there are inconsistencies in arrangements related to airport concessions in Indonesia. These inconsistencies are mainly in terms of capital ownership (state-owned or private) and the factor of ownership of concession object assets.

CONCLUSION

The application of airport concession arrangements in Indonesia has inconsistencies both in terms of concession arrangements themselves, as
well as in terms of comparison of concession applications with other public service sectors (e.g. port and toll road concessions). The imposition of airport concessions on Airport Business Entities whose entire or part of the capital comes from separated State assets is contrary to the purpose of the State Capital Participation itself when privatization is carried out. In addition, port and toll road concessions consider the source of investment in the assets of the concession object in arranging the transfer/transfer of concession object assets after the end of the concession period, where the transfer/transfer is only carried out if the concessionee does not invest in the asset.

In addition, harmonization of concession arrangements in all sectors of public services is needed. Different applications from one sector to another cause inconsistencies in the same issue for different industries.

REFERENCE


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