

Optimizing the Implementation of Quantum Leap Program to Face the Challenges of ASEAN Open Sky Policy: Lessons from Garuda Indonesia

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Abstrak

Dengan diberlakukannya Masyarakat Ekonomi ASEAN padatahun 2015, seluruh negara anggota ASEAN turut mempersiapkan diri untuk menghadapi dan bertahan dalam persaingan ekonomi termasuk sektor penerbangan dengan diberlakukannya ASEAN Open Sky Policy 2015, begitu juga penerbangan Indonesia. Sebagai maskapai nasional Indonesia, Garuda Indonesia memiliki upaya yang signifikan di berbagai sektor untuk mendukung Indonesia dalam kebijakan ASEAN Open Sky Policy 2015. Fokuspenelitianiniadalahtentang optimalisasi Garuda Indonesia Quantum Leap Program dalam mendukung Indonesia dalam pelaksanaan kebijakan Open Sky ASEAN pada tahun 2015. Menggunakan konsep regionalisme dalam menganalisis integrasi regional di masyarakat Ekonomi ASEAN termasuk ASEAN Open Skies Policy pada tahun 2015 dan konsep diplomasi budaya sebagai dasar untuk menganalisis peran Garuda Indonesia dalam mempromosikan Indonesia terhadap masyarakat asing.

Kata Kunci: *ASEAN Open Sky, Diplomasi Kebudayaan, Garuda Indonesia, Indonesia, Penerbangan, Quantum Leap, Regionalisme.*

Abstract

By the implementation of ASEAN Economic Community in 2015, all ASEAN member countries are preparing themselves to survive in the economic competition including the aviation sector through ASEAN Open Skies Policy 2015. As the Indonesian national carrier, Garuda Indonesia has significant efforts in various sectors to support Indonesia in ASEAN Open Skies Policy 2015. The focus of this research is to critically examine the implementation of Garuda Indonesia's Quantum Leap Program in supporting Indonesia in the implementation of ASEAN Open Sky Policy in 2015. This research also refers to several concepts such as regionalism and cultural diplomacy to explain the phenomenon of ASEAN Economic Community in which Garuda Indonesia displays its roles to promote Indonesia to foreign public.

Keywords: ASEAN Open Sky Policy, Aviation, Culture Diplomacy, Garuda Indonesia, Quantum Leap, Regionalism

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Introduction

In 2003 during the 13th ASEAN Summit in Singapore, the member countries of ASEAN have declared to create the ASEAN Economic Community (AEC) by 2015 and established the ASEAN Economic Community Blueprints.² Connectivity is one of the key successes of global trade and regional development. With the development of the Asian region now, inter-state connectivity is very essential for development to support the economic growth of the region. The Asian region now made up for lost time with the Europe and North America. By continuing to increase the inter-state connectivity, the Asia-Pacific may overshadow Europe and North America with enhancing the Asia-Pacific economic potentials. As part of Asia-Pacific region, ASEAN countries should also contribute themselves in developing the economy and inter-state connectivity among region. Therefore the main purpose of establishing AEC is to increase the regional competition.

Inside the ASEAN Economic Community Blueprint, there is also the principles and framework of ASEAN Single Aviation Market or the “Open Sky Policies”; it is one of the 12 designated priority sectors for economic integration, all of which are the key components for the proposed AEC. This infrastructure development is aimed to create such an efficient, secure and integrated transport network in ASEAN in order to maximizing the potential of ASEAN Free Trade Area (AFTA), to increase the conspicuousness of the region as a single production, tourism and investment destination and narrowing development gaps, and to create links within the neighboring region in Asia (South Asia, East Asia and Northeast Asia) (Peter Forsyth, 2004).

² The ASEAN Economic Community Blueprint Declaration was signed by all leaders of ASEAN member Countries: Sultan Haji HassanalBalkiah of Brunei Darussalam, Prime Minister SamdechHun Sen of Kingdom of Cambodia, President DR. SusiloBambangYudhoyono of Indonesia,Prime Minister BouasoneBouphavanh of Lao PDR, Prime Minister Dato Sri Abdullah AhmadBadawi of Malaysia, President Gloria Macapagal-Arroyo of Philippines, Prime Minister GeneralSurayudChulanont of Kingdom of Thailand, Prime Minister Nguyen Tan Dung of SocialistRepublic of Vietnam, and Prime Minister Lee HsienLoong of Singapore. (ASEAN Economic Community 2015 Blueprint)

ASEAN Open Sky policy is an agreement on the liberalization of the aviation sector which includes open market, level playing field (an arrangement or agreement to compete in a fair basis), pricing flexibility, cooperative marketing agreement, dispute resolution, charter market, safety and security, and freedom cargo rights where the cargo services may not be insisted to stop in a home country (Peter Forsyth, 2004, pp. 10-11). Specifically, ASEAN Open Sky Policy is trying to develop the competition intensity between airlines by providing routes flexibility for the airlines in ASEAN (Peter Forsyth, 2004, pp. 10-11). The ASEAN Open Sky Policy is expected to strengthen the competition among Asian giants (like China and India) and help the ASEAN countries to survive and compete inside the competition.

As the part of ASEAN member countries, Indonesian aviation industry also takes a big step forwards from the professional human resources qualifications, the flight safety standards, and the proper service quality. This breakthrough has become a big leap to Indonesia from both the government and private sector that has to be done for two years period to meet the 2015 ASEAN Open Sky.

ASEAN Open Sky Policy for Indonesia is a major leap forward and very challenging, Indonesian aviation industry and the Indonesian government is also being challenged in the competition against foreign airlines. The increasing quality of airlines these days tightens the competition among airlines. The competition is getting more intense seen from the massive promotion that airlines give to their customers with various kinds of price and services, from the free seats promotion by AirAsia until the Garuda Indonesia Travel Fair that was held twice this year (Sofia, 2014). The airline competition has not only been felt in Indonesia, but also in the ASEAN region itself. The airlines nowadays have such an intense competition between the low-cost carrier with the full-service airlines or even among full service airlines.

However, Indonesia with its 26 international airports scattered across the country feel bothered by this liberalization. If it is compared with Singapore that only has one International Airport and Malaysia which has 6 airports. Director General of the Department of Air Transportation, HerryBakti, said that the possibility of only 3 to 5 International airport (including Soekarno-Hatta International Airport and NgurahRai) which is ready to be liberalized open sky

policy. To protect and maintain competition, Indonesia is now established themselves as one of the countries of ASEAN-X. This policy is considered as appropriate to protect the economy and improve the readiness of the national carrier to enhance the competitiveness between airlines (ASEAN Open Sky, *Siapkah Indonesia?*, 2010). Therefore, the stakeholders like the airlines in Indonesia, like Garuda Indonesia, supposed to help promoting this soft power. Specifically, Garuda Indonesia is a flag carrier airline. Means that, it flies with the name of Indonesia, it flies with the values of Indonesia which supposed to have the specific mandate to support Indonesia in the upcoming ASEAN Open Sky Policy.

Garuda Indonesia as the national carrier airline is also respectively preparing them in the next year's air liberalization agreement. Garuda Indonesia has to survive and compete with numbers of airlines in ASEAN region. Thus, Garuda Indonesia in 2009 articulated the Quantum Leap Program. Massive revitalization of Garuda Indonesia which includes massive fleet rejuvenation and enhancement program, from 61 aircraft to 116 aircraft, an increase in frequencies from 1,700 to 3,000 per week on an enhanced route network (CAPA, Garuda Indonesia plots a "Quantum Leap" into the future, 2009). This Quantum Leap program aimed to reach the airlines' sustainable growth and helps them to survive the competition during the implementation of ASEAN Open Sky Policy.

Therefore, Garuda Indonesia formulated Quantum Leap Milestone each year from 2011 to 2015 as its barometer to reach their goals; launch Initial Public Offering (IPO) to their shares, fulfill their requirements to join Sky Team Global Alliance, expanding their networks, increase their service qualities and achieve the Quantum Leap in 2015. Thus, this paper yields two fundamental questions; what has Garuda Indonesia done to help Indonesia for the success of ASEAN Open Sky Policy? And what roles played by Garuda Indonesia to have Indonesia preparing the ASEAN Open Sky Policy? Subsequently this paper is analyzing the Quantum Leap program of Garuda Indonesia with 7 strategies to drive growth. This research also describes how those business strategic plans can play its role in supporting Indonesia in facing the upcoming ASEAN Open Sky Policy.

ASEAN Economic Community (AEC): Manifesto of Regional Cooperation

After the Cold War, ASEAN had started to escalate their regional arrangements like ASEAN Free Trade Area which aims to attract the foreign direct investment (Akkerman, 2007). The Asian financial crisis during 1997-1998 has made ASEAN realize the importance of the regional cooperation even with non-member states. Therefore, ASEAN has formed Asian monetary policy that was enforcing their own financial framework for future crises that may develop a deeper economic cooperation in the region (Akkerman, 2007).

In 2003 during the 13th ASEAN Summit in Singapore, the member countries of ASEAN have declared to create the ASEAN Economic Community (AEC) by 2015 and established the ASEAN Economic Community Blueprints. AEC will transform ASEAN into a region with free movement of goods, services, investment, skilled labor, and freer flow of capital (ASEAN Economic Community, 2014). AEC employs four key pillars: a single market production base, a highly competitive economy in the region, a region with equal economic development, and an integrated region into the global economy (Association of Southeast Asian Nations, 2008). The AEC will make ASEAN become a single market and production base economy, it will trigger a more dynamic and competitive economy in the region with new mechanisms and measures to strengthen the implementation of its existing economic initiatives; accelerating regional integration in the priority sectors; facilitating movement of business persons, skilled labor and talents; and strengthening the institutional mechanisms of ASEAN (ASEAN Economic Community Blueprint, 2008, p. 5). ASEAN investors will be free to invest in all economic sectors in ASEAN region which then may boost the development of production networks and foster the regional integration of priority sectors and allow the free movement of business persons, professionals, and skilled labors (T.H.Tambunan, 2014).

The economic disparities among member states has become the dominant key challenge to ASEAN, more than half of ASEAN member countries still struggle with their own economy. Based on a research of ERIA, there were at least 100 million people in ASEAN who were poor and about 121 million people who were marginally non-poor with their per capita income is below \$2 in the late 2000s (Intal, et al., 2014, p. 40). Those poor and marginally poor people are more vulnerable towards the effects of price upsurge, disaster and even energy shortages that substantially reducing their welfare has makes this as the key challenge to ASEAN countries in

facing AEC in 2015. Sharp price hikes and shortfall of energy sources, including diesel, had substantially compromise the viability of operations of small firms, farms and fisheries on which their employment and livelihood rests. Inside the blueprint, AEC removes all barriers on services and products that either decreasing the poverty rate or instead increasing the poverty rate within ASEAN people. Therefore, equal with its effort towards higher economic growth, ASEAN needs to give more concern and importance to regional cooperation especially those regarding food security improvements and energy security as well as greater capacity to address disasters within the region (Intal, et al., 2014, p. 41)

ASEAN Open Sky Policy 2015: Challenges and Impact to Indonesia

Air transport is one of the sectors that AEC will work on to liberalize and integrate economic integration plan in the region. The current objective related to air transport sector is to establish an ASEAN Single Aviation Market (ASAM) by 2015 (BatariSaraswati, 2013). It is considered as an important milestone to increase connectivity, economic growth, and social welfare in the region. As the aviation business in Southeast Asia grows, ASEAN will help to facilitate the development through this ASEAN Single Aviation Market or Open Sky Policy to liberalize the aviation market in mutual accord with the infrastructure development program of AEC (ASEAN Economic Community Blueprint, 2008).

Defining ASEAN Open Sky

ASEAN Open Sky Policy is a liberalization regarding eight provision in the aviation sector like open market, which characterized by removing either all barriers or partially regarding routes, total airlines permitted, capacity, frequency and type of the operating aircraft; level playing field (an arrangement or agreement to compete in a fair basis); pricing flexibility; cooperative marketing agreement; dispute resolution; charter market; safety and security; and 7th freedom cargo rights where the cargo services may not insisted to stop in a home country or third country (Peter Forsyth, 2004, pp. 3-4). Given the fact that air transportation requires highest concern in ASEAN trade, open sky policy becomes critical in order to accelerate economic development in the region. Besides, it also yields another domino effect as open sky potentially encourage member countries to increase the tourism service quality that may increase the

exchange gain. In terms of airline industry, open sky may increase the airline quality and become one of the potential export sector for ASEAN countries (Laurang, 2012).

ASEAN Single Aviation Market or ASEAN Open Sky Policy would develop the competition intensity between airlines by providing routes flexibility for the airlines in ASEAN. It presumably strengthens the competition among Asian giants (like China and India) and helps the ASEAN countries to survive the competition. It is clearly that ASEAN Open Sky Policy head for increasing connectivity, economic growth and the social welfare of the region by facilitating the free, efficient, safe and secure movement of people and goods within and potentially beyond ASEAN (BatariSaraswati, 2013).

In addition to this, the states would agree to loosen up their controls over investment and ownership and to accept the designation of an airline for the use of the agreed market. In terms of route and restrictions, airlines inside the region may take multiple designations towards routes and dropping restrictions. In terms of market access, the open sky policy might as well loosen up the rules of capacity controls among airlines by increasing capacity by a certain percentage per year or to completely remove the controls in order to gain effective competition between airlines (Peter Forsyth, 2004, pp. 56-80).

Granting the freedom rights of ASEAN is likely one of the agendas of ASEAN Open Sky Policy. In the 5th freedom rights disposed that airlines are allowed to fly to routes with third countries and might as well fly from the third countries to countries beyond ASEAN region (for example, SIA will be able to fly from Thailand to Vietnam and then continue their flights to China), the 7th freedom rights might allow airlines to fly between two foreign countries on a service without connection to the home country (for example, MAS would be able to fly between Indonesia and Thailand without transit in Malaysia) (Peter Forsyth, 2004, pp. 56-80).

Indonesia's stance towards ASEAN Open Sky 2015

With its population that exceeds more than 253 million Indonesia becomes the fifth most populated country in the world, roughly half of the airspace of ASEAN is located within Indonesia. The aviation business in Indonesia has been growing rapidly during the decade and

appreciable profitable by International Air Transport Association (IATA). In fact, Indonesia holds the world's highest airline seat capacity and the world's busiest air routes with 780 flights per week (Bachtiar, 2013). As the economy expands, Indonesia's air travel and airline business grows. After the Minister Decree No. 11/2001 about air carriers implementation, by written notice on article 15 subsections 1B stated (*Keputusan Menteri Perhubungan No. 11 Tahun 2001 Tentang Penyelenggaraan Angkutan Udara*), for those air carriers seeking air transportation business license need at least two aircraft with Indonesian registration who can support each other in their operations. This decree resulted to the increasing numbers of airline companies.

Now Indonesia has total 29 international airports spread from Sabang to Merauke makes Indonesia rank sixth of the world fastest growth in terms of international travel with 9.3% as its annual growth and 22.7 millions of people who flew through international routes this year. Based on the data from ministry of transportation, there are 22 active commercial airlines (without cargo and charter airlines) that are actively competing with other airlines (Batari Saraswati, 2013, p. 5). Lion Air, Indonesia AirAsia, and Garuda Indonesia are having the fiercest competition. In 2012, the Ministry of Transportation estimates that the total passengers carried national airline scheduled as much as 72,472,054. Of these, 63,625,129 are domestic passengers and 8,846,925 international passengers (Nur, 2013). Lion Air has been recorded as the highest number of passengers, which is 23.93 million, followed by Garuda Indonesia 14.07 million passengers. Aviation business is such a promising business since its demand growth rapidly and attracting both domestic and foreign airlines to compete gaining more profit in this market (Nur, 2013).

Challenges for Indonesia

In comparison with the other member countries, Indonesia seems to feel threatened by this open sky agreement; the relaxation of sixth air transport freedom³ into its cities, raising opportunities for Singapore, Malaysian and Thailand carriers (including the LCCs of each countries) to fly across Indonesia without having to terminate the flights (ASEAN's Single

³ Sixth air transport freedom: freedom rights for airlines to fly between two foreign countries via its own flag state of registry. For example, SIA has the right to fly to China and go across Thailand and Vietnam without having to terminate or transit the flight first. (Cited from: Dempsey, P. D. (2008). Air Traffic Rights. Retrieved November 2, 2014, from Institute of Air & Space Law McGill University: <http://www.mcgill.ca/iasl/files/iasl/ASPL633-Air-Traffic-Rights.pdf>.)

Aviation Market: Many Miles To Go, 2013). By this air transport freedom relaxation, Indonesian carriers argues that for Indonesia, it is better to gain liberalization through bilateral and selective agreements based on the market needs because only this kind of agreement is enough for them to meet their needs rather than implementing ASEAN Open Sky agreements which may hamper their company (Batari Saraswati, 2013, p. 9).

The other challenge for national carriers in facing open sky is the difference of fuel in Indonesia and in other member countries. CEO of Citilink (Arief Wibowo) argues that regarding import duties, aviation fuel reach 13 percent difference. The difference of jet fuel in Singapore average to 71 cents per liter, in Jakarta 78 cents per liter, and in Papua 103 cents per liter. It was something that burdened for the implementation of open sky; airline industry is facing a dilemma in terms of fuel differentiation (Sukmana, 2014). The market is demanding national airlines to compete freely with international airlines, but exposed to the monopolistic price of aviation fuel problem (Sukmana, 2014).

How does Indonesia Respond towards ASEAN Open Sky 2015?

ASEAN open sky demand for increasing quality of the airline operator due to fulfilling the world-class professionalism. To the airline operators, open sky means preparing themselves to increase their management qualities from their operational work, marketing, quality services, financial, human resources, technology, safety quality, security and compliance. Indonesian ministry of transportation has uttered the need for national airlines to tidy up their service quality, increasing their technology, brand awareness, safety, security and compliance as the international standard occurs (INACA Annual Report, 2012, p. 16). For the regulator, the government utter to benchmark the regulations at hand, to support the airlines in giving important information about the regulations, and then implementing the level playing field for Indonesian national carriers to become the host of their own country (INACA Annual Report, 2012, p. 16). The government then should maintain balance between regulations and its operations to maintaining the power of the national carriers in the middle of Indonesian economic development and economic power generally (INACA Annual Report, 2012, p. 16).

Indonesian government would severely limit the number of airports that will be allowed by foreign airlines. Based on Ministerial Decree 11 of 2010 on the Order of National Airport, the government has set five airports in Indonesia, namely, Kualanamu (Medan), Soekarno-Hatta Airport (Jakarta), Ngurah Rai (Bali), Juanda (Surabaya) and Sultan Hassanudin (Makassar) (Laurang, 2012, pp. 8-9). Those five airports are located in relatively high economic growth rate area and considered to be the greatest in quantity of passengers and cargo, both in the domestic air transport and abroad, and have coverage of the majority of domestic and foreign flights, including equipped with complete facilities and flight safety (Laurang, 2012, pp. 8-9). The determination of the five airports will divide the entrance to enter Indonesia via the western, central and eastern gateway.

Head of Sub Directorate of Air Transport Cooperation, Directorate General of Civil Aviation, Sri Widiastri explained that the government of Indonesia has developed a number of regulations in facing ASEAN open sky policy next year, among others: Determination of minimum service standards as set out in the Ministerial Regulation No. 49 of 2012 on the Ministry of Economy Class Passenger Air Transportation Scheduled Commercial Interior and Decree No. 77 jo. No. 92 of 2012 on Liability of Air Transport Carrier; Revised Minister Decree No. 25 of 2008 on the Implementation of Air Transport to be more accommodating in supporting the preparation for the ASEAN Open Sky; Preparation of professional competency standards in the context of aviation support services to the MRA (Mutual Recognition Agreement) ASEAN (Diskusi Litbang : Sektor Transportasi Udara Perlu Bersiap Diri Hadapi ASEAN Open Sky 2015, 2013).

On the higher authorities, president of Republic Indonesia had also sign or validate several ASEAN protocols to implement package of commitments under the ASEAN Framework Agreement on Services respectively on Presidential Decree No.60 of 2010 about validation of protocol to implement the 5 th package of commitments on Air Transport Services under ASEAN Framework Agreements, Presidential Decree No. 66 of 2010 about validation of protocol to implement the 6 th package of commitments on Air Transport Services under ASEAN Framework Agreements, and Presidential Decree No. 37 of 2014 about validation of

protocol to implement the 7th package of commitments on Air Transport Services under ASEAN Framework Agreements (Perundangan Kementerian Perhubungan RI).

Garuda Indonesia's Strategies in Supporting Indonesia Regarding ASEAN Open Sky 2015

In order to gain success in the 2015 ASEAN Open Sky, Indonesia needs supports from all parties, indeed from the government of Indonesia, ASEAN, the public, and off course airlines. Garuda Indonesia, as the Indonesian flag carrier must have given their supports to Indonesian government. Therefore, Indonesia's performance in ASEAN Open Sky 2015 lies on Garuda Indonesia's activity in terms of their operational and managerial conduct related to ASEAN Open Sky 2015.

Garuda Indonesia Quantum Leap Strategies

It has been 5 years since Garuda Indonesia had announced an aggressive expansion plan called "Quantum Leap". Quantum Leap Program is five-year (2011-2015) expansion plan of Garuda Indonesia's business strategy program, which includes the transformation of the company in all aspects of business; from finance, management, operations, quality of service, to human resources which targeted to be done in 2015. This quantum leap strategy had been arranged to ensure and maintain the sustainable profitable growth of Garuda Indonesia by focusing network development strategy since Garuda Indonesia currently has transformed into one of the airline that counts in the world, especially in the current era of ASEAN Open Sky enforced. After the implementation of the Civil Aviation Ministry regarding regulations pertaining to the development of quality standards, liability of water transport carrier, and the implementation of air transport. The principle of reciprocity should also be carried by Garuda Indonesia since the ministry has been providing the regulatory infrastructure; quantum leap strategy should be able to support these regulations in winning the ASEAN Open Sky 2015. Therefore, the quantum leap program may help Garuda Indonesia to win the tight competition between airlines in Southeast Asia in 2015 th ASEAN Open Sky through their various business expansion programs (Laporan Tahunan, 2013, p. 35).

In 2005, a transformation in which the newly formed management and proven to save Garuda Indonesia from adversity with a profit of US \$ 17 million net income in 2007 (Soejatman, 2003). In 2009, Garuda also introduces a great strategy that is packaged in Quantum Leap program are expected to be realized in years 2014-2015. With such a large leap program which is a long-term plan for 5 years, Garuda wants to be a five-star airline with a predicate that is parallel to the airline competitors (Garuda Indonesia Restructuring, Performance & Strategy – UBS Global Transport Conference, 2011). In order to facilitate the understanding as well achievements, has been set the milestones target for Quantum Leap program that shows growth every year continuously and completely can be seen in the image below:

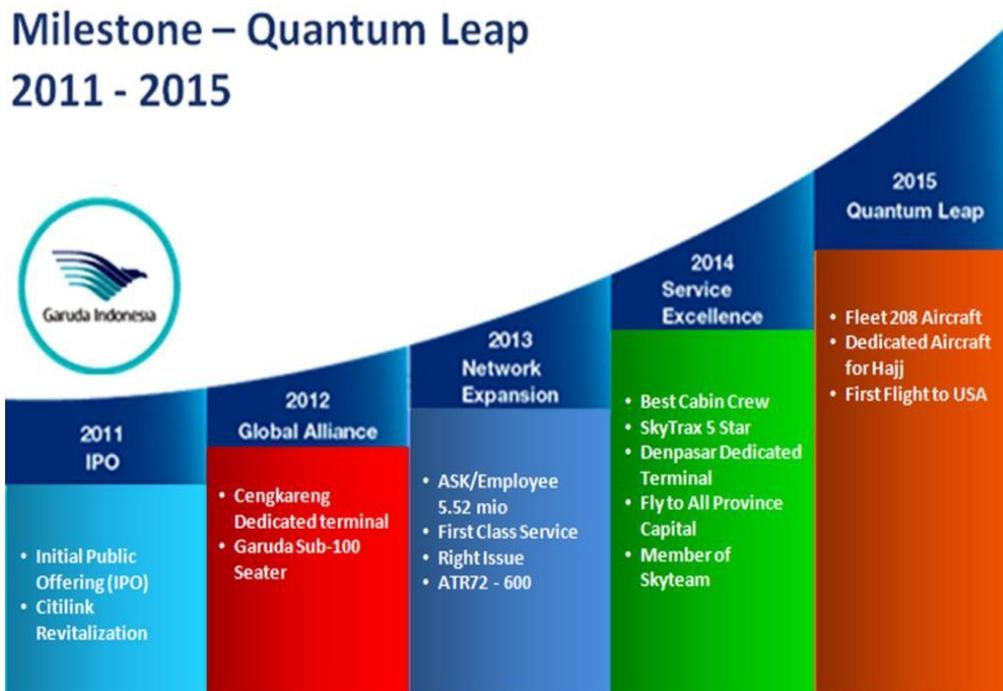


Figure 1: Garuda Indonesia quantum leap milestone

The above illustration depicts Garuda Indonesia's targets from year to year to achieve "Quantum Leap" in maintaining sustainable growth in terms of management and operational conduct and to reach the company's sustainable growth at once surviving the competition in the 2015 th air transport liberalization. As the first milestone targets, PT Garuda Indonesia (Persero) Tbk on February 11, 2011 had done the Initial Public Offering (IPO) to Indonesia Stock

Exchange (IDX) under the ticker code "GIAA", the airline had released 27.98% of their shares offered at Rp. 750 per share.

The invested funds from the IPO proceeds will be used towards the development of the company quantum leap in 2015 (Annual Report Garuda Indonesia, 2011, p. 16). Strategies must be set for Garuda Indonesia to reach its target milestone. To reach its quantum leap, Garuda Indonesia have supported initiatives by considering 7 main drivers of the Quantum Leap accomplishment.



Figure 2: 7 Strategies to drive growth

Based on the illustration above, Garuda Indonesia has 7 strategies to drive growth where the management will be focused on selective sectors on implementing the “Quantum Leap” to expand and dominate the Indonesian aviation market (Garuda Indonesia Restructuring, Performance & Strategy - UBS Global Transport Conference, 2011).

The first strategy is dominating the domestic market. Garuda Indonesia continues to improve their quality of service as its efforts to achieve 5 star airline rating by Skytrax and preparing the ASEAN Open Sky in 2015. The other strategy is strengthening the position of the premium class in the domestic market, considering the LCC is now rampant in the domestic market made consumers have more interest in economy class and low budget airlines in compare to the premium class. Garuda Indonesia also open pioneer routes to reach the remote province in Indonesia with using ATR 72-600 aircraft that capable of reaching remote areas comparing with Boeing or Airbus(Laporan Tahunan, 2013).

The second strategy is the international market. Garuda Indonesia must continue to open up opportunities for cooperation in order to improve their sense of competitiveness, especially with airlines in Southeast Asia regarding ASEAN Open Sky 2015. The third strategy is to dominate the market through the help of its LCC subsidiary, Citilink, in order to strengthen its position as a premium airline (Laporan Tahunan, 2013, p. 36).Fourth, Garuda Indonesia develops its fleet by balancing the number of fleets with a diverse fleet needs to support the growth of the company. The fleet revitalization is the act of anticipation to the increased competition and rising currents of air passenger transportation services. Through a fleet of new aircraft development is also intended to improve fuel efficiency and lower costs for aircraft maintenance considering new aircraft more efficient than older aircraft (Laporan Tahunan, 2013).

The fifth strategy, Garuda Indonesia is increasingly developing a new service concept, titled “Garuda Indonesia Experience” which seeks to provide a premium for a product proposition Garuda Indonesia achieved by developing Indonesian hospitality, quality customer service excellence, modern interior cabin design representing Indonesian character, as well as the procurement of a new fleet as a form of fleet which is in line with the company’s program to anticipate the air transport market in Indonesia and the region continues to increase and maintain business continuity and market share in the market Garuda full service carrier (Laporan Tahunan, 2013, p.37). The sixth strategy is for Garuda Indonesia Cost Discipline management, management is now focused on cost reduction efforts without neglecting the improvement of quality of service by applying the transitional indirect sales direct sales model into a model. The latter strategy, is developing a corporate culture of the company, FLY-HI, which is implemented

through various strategic initiatives such as organization development, improving performance management system, build leadership capabilities, improve the quality of human resources in line with the strategy of Garuda Indonesia to achieve the “Quantum Leap” (Laporan Tahunan, 2013, p. 37). In reaching the network expansion, Garuda Indonesia use 5 strategies out of 7 strategies to drive growth; domestic, international, fleet, brand, and LCC (Pribadi, 2015).

Strategy Implementation

Achieving Quantum Leap in conjunction with facing competition among airlines in ASEAN Open Sky requires actions that adept in the implementation strategy. Garuda Indonesia has been doing various actions in order to provide them and will be able to compete with other airlines. Garuda Indonesia has various strategies to promote Indonesian tourism industry in order to the success ASEAN Open Sky in 2015, one of which was signed a memorandum of understanding with Tourism and Creative economy Ministry to have active role in promoting Indonesia’s tourism industry.

a. Domestic Routes

One of Garuda Indonesia’s strategies to survive the ASEAN Open Sky is strengthening domestic flights and routes debt so that it will not inferior with foreign airlines. With ASEAN Open Sky coming in 2015, foreign airlines will be free to fly in Indonesian air space. The foreign airlines will have the authority to open domestic flights in Indonesia; what foreign airlines been longing. In line with Garuda Indonesia’s attempt to keep their domestic market developed and strong along with the Indonesian economic growth, since the end of 2013 Garuda Indonesia has opening pioneer routes, introducing their new sub-brand Garuda Indonesia Explore and Garuda Indonesia Explore Jet to extending their access to the untouched areas and for Garuda Indonesia to provide more connecting routes so that the passengers get easier access to their destination (Pujobroto, Garuda Indonesia Perkenalkan Sub-Brand "Explore" ATR72-600 untuk Melayani Rute-rute Penerbangan di Remote Area, 2013).

Garuda Indonesia has expanded their domestic network by adding flight routes to remote areas and creating more connecting routes with buying single class cabin aircraft like ATR72-600 and CRJ1000 Bombardier. By buying those aircrafts, Garuda Indonesia may be able to serve new routes from Denpasar to Labuan Bajo, Tambolaka, Ende, and Bima and further from

Makassar and Ambon to serve small routes and connecting routes to nearby destinations (Pujobroto, Garuda Indonesia Perkenalkan Sub-Brand "Explore" ATR72-600 untuk Melayani Rute-rute Penerbangan di Remote Area, 2013). Garuda Indonesia continues its expansion to Eastern Indonesia through ATR 72-600 "Explore" and opens direct flights in the four cities in Central Kalimantan namely Balikpapan- Palangkaraya- Pontianak and Putusibau return. Previously, a number of cities in Central Kalimantan can only be reached only from Jakarta. But after Balikpapan becomes the hub of Garuda Indonesia in Kalimantan, the flights within Kalimantan, Sulawesi, Papua and other cities in the Eastern Indonesia becomes more efficient. Those new routes also became a part of the company's commitment to increase its network domestically and increase connectivity inter-city in the region. In addition, this effort is also expected to increase trade and economy in the region through easier air transportation access (Susilawati, 2014).

By adding small routes and connecting routes to Indonesia's domestic network, it gives easier access for both foreign and local tourists to go to their desired destination, especially in developing tourism in the eastern Indonesia. The Indonesian Ministry of Tourism and Creative Economy is very supportive towards Garuda Indonesia's market expansion, since Garuda Indonesia has supported the ministry's programs in developing Bali tourism, promoting the beauty of Indonesia not only from Bali. This Garuda Indonesia Explore has been answering the needs of the ministry of tourism and creative economy of Indonesia in providing air transportation services to those small areas (Menparekraf: Wilayah Indonesia Membutuhkan Ketersediaan Konektivitas Memadai, 2013).

b. International Network

ASEAN Open Sky 2015 has indirectly made Garuda Indonesia to build its international profile ahead since the regional market will be liberalized. In 2013 Garuda Indonesia launched 10 new routes including the European destination in addition to their new short-haul international routes within Southeast Asia and three new medium-haul routes to Australia and Japan (CAPA Analysis, 2013) makes its international flights increasing 26% from 65 into 82 international flights a day (Djawahir, 2014). This expansion will then allow Garuda to gain growing demand for services to and from Indonesia and allow them to pursue more on their sixth

freedom of air transportation (CAPA Analysis, 2013). Garuda Indonesia's CEO, Emirsyah Satar, stated that Garuda Indonesia's plan to expand its international market will be continued in 2015, continuing its expansion international markets in Japan by launching new destination from Jakarta to Nagoya 5 times a week. Nagoya will become the fourth Garuda Indonesia's destination in Japan after Tokyo Narita, Tokyo Haneda, and Osaka Kansai. Before then, Garuda Indonesia has increased their flight capacity to Japan until 50% since the first half of 2013 by launching two new routes and replacing several flights which initially using Airbus A330 replaced into Boeing 777-30ER (Indo Aviation, 2014). Furthermore, China's growing economy and stable currency have encouraged Garuda Indonesia to expand their market in China. According to Wayan Subagia, the Vice President of Garuda Indonesia Region China, Hongkong and Taiwan, since the passenger growth in China keeps increasing 15%-20% annually, Garuda Indonesia also had several codeshare agreements with Chinese airlines namely China Airlines, China Southern, Xiamen Airlines, and China Eastern (Antique B. A., 2014).

For its European market, Garuda Indonesia is doing their best to fulfill the European market demand. In March 30 th 2014, Garuda Indonesia has officially launched the first-ever commercial non-stop flight between Indonesia and The Netherlands, a nonstop flight from Jakarta to Amsterdam. Emirsyah Satar, in his written interview had stated that this direct flight routes is a part of Garuda Indonesia's effort in presenting seamless connectivity on either end to over 65 destinations in Indonesia and Australasia as well as all major destinations is Europe and beyond through the combined extensive networks of Garuda Indonesia and the SKYTEAM Global Alliance member airlines (Pujobroto, Garuda Indonesia to Launch The First-Ever Non-Stop Flight Between Jakarta and Amsterdam, 2014). Retno Lestari Priansari Marsudi, hoped that this direct flight may bring Indonesia and The Netherland nearer in terms of their bilateral relations through this Jakarta-Amsterdam direct flight route (Wuragil, Garuda Indonesia Resmi Terbang Nonstop ke Eropa , 2014).

SKYTEAM Alliance

SKYTEAM is the global alliance that provides wider global network and services to the airline members customers with more choices of destinations, frequency, and connectivity. Flights served by all members of the SKYTEAM enables service users to be able to access as

many as 525 lounges worldwide. (Pujobroto, Garuda Indonesia Becomes 20th Member of SkyTeam Alliance, 2014) All 19 members of the alliance are Aeroflot, Aerolíneas Argentinas, Aeroméxico, Air Europa, Air France, Alitalia, China Airlines, China Eastern, China Southern, Czech Airlines, Delta Air Lines, Kenya Airways, KLM Royal Dutch Airlines, Korean Air, Middle East Airlines, Saudia, TAROM, Vietnam Airlines and Xiamen Airlines. The alliance between Garuda Indonesia and SKYTEAM has open wider gate for foreign airline users to go to Indonesia and so does SKYTEAM. Garuda Indonesia has open wider flight network as much as 1,064 cities in 178 countries through 15.723 flight frequencies every day which includes more than 90% of the world air traffic flow and open access as much as 588 million of global passengers to Indonesia including the 189 million SKYTEAM airline member's frequent flyer members. (Garuda Indonesia Resmi Menjadi Anggota Ke-20 Aliansi Global SkyTeam, 2014) Garuda Indonesia is currently serving nonstop flights from Jakarta to seven SKYTEAM hubs, namely Seoul, Guangzhou, Beijing, Shanghai, Taipei, and Amsterdam. In addition, Garuda also adds Jakarta as an alternative gateway to and from Southeast Asia as well as 40 new destinations served by Garuda into the SKYTEAM global airline network (Djawahir, 2014).

Codeshare Partners

The other conduct of Garuda Indonesia in expanding its international network is through codeshare agreement with several foreign airlines. A codeshare agreement is an aviation business arrangement where two or more airlines share the same flight. Through codeshare partnership, Garuda Indonesia can broaden their international network and generate additional traffic with relatively low cost. Codeshare partnership cannot be done without pin faith to each airline; therefore, a codeshare agreement can therefore give confidence to the market about products offered in terms of their level of service, suitability of the product and seamlessness of ticketing and flight connection arrangements (Steer David Gleave, 2007). In preparing the ASEAN Open Sky 2015, Garuda Indonesia is in their process of making codeshare agreements with several airlines in Southeast Asia, like Singapore Airlines, Bangkok Airways, Myanmar Airways, Malaysia Airlines, Philippine Airlines, and Vietnam Airlines (Megah, 2014). Besides, Garuda Indonesia already have codeshare partner with several airlines like KLM-Royal Dutch Airlines, Etihad, Turkish Airlines, Royal Brunei Airlines, China Airlines, Air France, All Nippon Airlines

(ANA), Kenya Airways, China Eastern, Xiamen Airlines, China Southern, Delta Airlines, Jet Airways, Korean Air, and Silk Air.

Commercial Partnership with Liverpool FC

Along with its effort in becoming global player, Garuda Indonesia is fully aware about their role in promoting Indonesia to the foreign public, bring the beauty of Indonesia and its richness culture to the world. With co-branding partnership with LFC, Garuda Indonesia is very confident that Indonesia will be increasingly recognized by the world as what Emirsyah Satar stated during the press conference in June 1 2014 (Satar, 2014). It is Garuda Indonesia's strategy to improve their brand awareness in the international market through the marketing communications within Garuda Indonesia and Liverpool FC. This commercial partnership is also in line with the transformation and expansion program in Quantum Leap 2011-2015 to make Garuda Indonesia as a Global Player (Pujobroto, Garuda Indonesia dan Liverpool FC Luncurkan "Garuda Frequent Flyer - Liverpool Football Club Edition Card", 2013). Emirsyah Satar stated that this commercial partnership is intentionally made to improve the global branding of Garuda Indonesia. Since this partnership initiated in the early 2013, Garuda Indonesia's advertisement has always been appearing during English Premiere League. Because of this sponsorship the awareness of other countries against Garuda increases and the number of passengers as well as international flight schedule had raise until 11%. He also argued, as a global player and the flag carrier of Indonesia, Garuda Indonesia is committed to bringing the beauty of Indonesia and its rich culture to the world. With a co-branding partnership with LFC, Indonesia will be increasingly recognized by the world and especially by Liverpool fans worldwide (Jones, 2014).

Conclusion

In 2003, ASEAN have declared to create the ASEAN Economic Community (AEC) by 2015 and through the guidance of ASEAN Economic Community Blueprints. AEC will transform ASEAN into a region with free movement of goods, services, investment, skilled labor, and freer flow of capital. Connectivity is one of the key successes of this regional development. Inter-state connectivity is very essential for development to support the economic growth of a region. Realizing this importance, AEC has the principles and framework of ASEAN Single Aviation Market or the "Open Sky Policies" as one of the 12 designated priority sectors for economic integration, all of which are the key components for the proposed AEC.

Indonesian aviation industry also take a big step forwards through professional human resources qualifications, the flight safety standards, and the proper service quality. Garuda Indonesia, the national carrier of Indonesia whose credibility has been recognized globally, has significant role in various sectors to support Indonesia in ASEAN Open Sky 2015. A series of programs and services done by Garuda Indonesia has helped in increasing the number of foreign and domestic tourists. It may help Indonesia to survive the competition among ASEAN countries in its preparation towards ASEAN Open Sky in 2015. As the world class airline and Indonesia's national carrier, Garuda Indonesia is completely aware of its role in promoting Indonesia to the foreign public and supporting Indonesian aviation industry to face the fierce competition in the upcoming ASEAN Open Sky.

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