Oligopoly And Business Competition Behavior: A Review of Collaborative Governance in Pricing of Aviation Business

Ismiyarto, Honorata Ratnawati Dwi Putranti

Abstract—Collaborative governance is a concept in government management as a process of facilitation and implementation by various institutions both government, society, and private business domains which aim to solve common problems that cannot be solved by a single government institution. Tariff determination is considered reasonable, if the government (Ministry of Transportation cq. Director General of Civil Aviation) involves the private sector and the public (collaborative governance) which consists of: airlines, passengers, airport managers, navigation companies, aircraft leasing companies, fuel providers, ground handling and supporting services, and insurance companies. Supervision and sanctions are carried out by the government continuously, so that the policies that have been issued are adhered to consistently by stakeholders regarding the implementation of flights, especially airline ticket rates. In the implementation of flights to be managed in accordance with the characteristics of good governance, specifically paying attention to the principle of effective and efficient without leaving safety and security and services to consumers or the public.

Keywords—Collaborative governance, good governance, market structure, pricing management, aviation business.

1 INTRODUCTION
1.1 Oligopoly and Business Competition Behavior

The oligopoly market structure provides two alternative competitive behavior for the actors, namely competing and coalition (Bae & Insead, 2004). For industry players, coalition behavior usually offers a greater level of profit compared to competitive behavior. In several countries, including in Indonesia, this coalition behavior is prohibited because it is contrary to the principles of fair business competition. Even Indonesia already has an Antitrust Law as well as its supervisory institution (KPPU) (Pangestu et al., 2002). In the Indonesian aviation industry in the LCC flight market, Lion Air, which has the power to set prices first, is not decisive, it is precisely Citilink that raises prices first. The same thing happens in the full service carrier (FCS). Batik Air, which was supposed to be a follower jurtru airline, became the first airline to raise prices.

Current high-price practices are reaping negative effects. Passengers resign and look for alternative modes. Decreasing mainly on Java and Sumatra. The existence of many toll roads that have been connected makes passengers switch to private vehicles, buses, or trains. Sea transportation, which was previously shrinking by passengers, has even shown an increase. On the other hand, air transport passengers go down. According to reports from the Region VI Airport Authority Head, the decline in passengers in the region reached 15-20 percent, the same as the national figure. While Airnav Indonesia said the number of flights nationally fell 15 percent. So, airlines reduce flight frequency because passengers are reduced, even canceling flights. The decline in airplane passengers certainly has an impact on other sectors, especially tourism and trade. Travelers who want to explore the territory of the archipelago must think again when the price of airplane tickets flies high or is expensive. Millennial travelers will also choose abroad because the price of airline tickets is cheaper.

Garuda insists on high prices, perhaps because of fellow government employees and SOEs. So, the country pays. However, the high price of tickets has a broad impact on the economy, especially in the regions. Not only for passengers, the high price of airline tickets also affects cargo. Rapidly growing trade with e-commerce is now starting to count again. Now the big problem that must be solved is the matter of the commercial. The government makes rules that encourage growth and airlines need to obey wholeheartedly. There is no harm in seeing practices in other countries, who knows, can grow new thinking better.

2 COMPREHENSIVE EVALUATION OF AIRPLANE TICKET PRICES

The government's efforts through the Ministry of Transportation to reduce airplane ticket prices should not merely target airlines. The structure of flight costs is also influenced by the rates of other business actors in the business ecosystem of air transportation services. There are nine parties in the aviation ecosystem and have a simultaneous influence on the formation of airline ticket prices at the consumer level or the flight service user community. Aviation ecosystems include airlines, passengers, airport managers, navigation companies, aircraft rental companies (lessors), fuel providers, ground handling and supporting services companies, and insurance. The government should ask other business actors in the flight ecosystem to evaluate and reduce the cost structure. The decline in airplane ticket prices and not leaving the quality of public services as well as security and safety for passengers requires more serious handling. As mandated in

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Istitut Pemerintahan Dalam Negeri (IPDN), Indonesia
Universitas 17 Agustus 1945 Semarang, Indonesia
Law No. 1 of 2009 concerning Aviation, that aviation is part of a national transportation system that has the characteristics of being able to move quickly, using high technology, capital intensive, reliable management, and requires an assurance of optimal safety and security, effective and efficient potential and role need to be developed, as well as helping to create a stable and dynamic national distribution pattern. The development of national and international strategic environments demands the implementation of aviation in accordance with the development of science and technology, the participation of the private sector and business competition, consumer protection, international provisions that are in line with national interests, accountability for state administration and regional autonomy (see. Gössling & Peeters, 2007; Gillen, 2006; Gillen & Morrison, 2005; Alderighi et al., 2012).

The high price of ticket are reasonable from some conditions. First, high avtur prices are one of the main factors that triggered the skyrocketing price of airline tickets, but Pertamina argues that rising avtur prices are due to rising US dollar exchange rates, transportation costs, distribution infrastructure investment costs, and costs others at the airport (the actor associated with avtur prices is Pertamina). Second, airline airlines argue for expensive airline tickets to maintain business continuity because fuel costs and leasing swell due to rising US dollar exchange rates. Thirds, the oligopoly market structure provides two alternative competitive behavior for the perpetrators, namely competing and coalition. For industry players, coalition behavior usually offers a greater level of profit compared to competing behavior (by raising ticket prices). Fourth, Garuda insists on high prices, perhaps because of fellow government employees and SOEs, so it is the country that pays (usually government employees if they are in service always choose Garuda Indonesia). Fifth, the financial condition of a number of airlines in Indonesia is not yet fully healthy, there are airlines that lose Rp. 1 trillion of this is also triggered by the global flight curve is also decreasing. Sixth, costs that contribute to the high ticket price of up to 20 percent of ticket price sales, namely: 10 percent value added tax (VAT) in aviation fuel purchases, ticket purchase VAT, flight flight guidance fees, landing and aircraft parking fees, airport tax, and insurance (many actors from the Ministry of Finance, Angkasa Pura, Travel). Seventh, declining performance of world trade, which was caused by an increased US-China trade war, and this mainly affected the cargo business (for the impact of this trade war, see Li et al., 2018; Chong & Li, 2019).

Therefore to reduce airplane ticket prices, the Government cannot resolve by issuing unilateral policies, therefore it is necessary to involve the private sector and the community or collaborative governance is the concept in government management as a process of facilitation and implementation by various institutions, including government aims to solve a common problem that cannot be solved by a single government institution. The government in this case the Ministry of Transportation cq. The Director General of Civil Aviation, while the private sector and the public consist of: various actors namely airlines, passengers, airport managers, navigation companies, aircraft rental companies (lessors), fuel providers, ground handling and supporting services companies, and insurance. Analysis to control ticket rates or according to ticket prices uses eight dimensions of collaborative governance as outlined by DeSeve (2007) as
shown in Figure 1.

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<th>DeSeve model</th>
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<td>1. Network structure</td>
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<td>2. Commitment to goals</td>
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Figure 2. Model for collaborative governance in Aviation Business

Aviation is held with the aim of realizing an orderly, secure, comfortable flight at a reasonable price, and avoid unfair business competition practices. One of the objectives of flight management, namely pricing or reasonable tariffs, has recently become the focus of users of flight services. Passenger fares for domestic economy-class commercial air transport services are calculated based on the components of distance, taxes, mandatory insurance contributions and surcharge. The policy of determining flight ticket rates is set by the Government in this case the Ministry of Transportation, in this research as the main actor (collaborative stage of governance - network structure). This policy is established with the consideration of protecting consumers or users of flight services and protection from unfair competition. Government-issued policies related to ticket prices are ticket prices with upper and lower limits. The goal commitment (one of the collaborative stages of governance) in order to achieve reasonable flight ticket rates, this policy must be followed or implemented by stakeholders, especially airline actors and flight operators, need supervision and sanctions. Supervision is carried out by the Director General of Air Transportation of the Ministry of Transportation, and administrative sanctions in the field of aviation in order to achieve safety and security aspects in the field of aviation.

Supervision by the Director General of Civil Aviation is carried out based on: supervision of the Directorate of Air Transport and the Office of the Airport Authority; reports from airport operators; electronic media and mass media; reports of the public/users of flight services; prices listed in the ticket, online sales and/or other equivalent payment books; or news agency. The tariff setting mechanism (the stage of clarity of governance and mutual trust between actors/actors) consists of calculating aircraft operating costs and justifying the calculation of basic rates and/or distance rates. In evaluating the amount of tariffs involving stakeholders. After the tariff determination is made, then it must be published through the Ministry of Transportation's website and also carried out by airlines to consumers/people who use flight services through print and electronic media and/or installed at each ticket and airport ticket sales location (this is in accordance with the stages sharing information - stages to 7 collaborative governance). While the stages of accountability/responsibility of the collaborative stage of governance, that the Director General of Civil Aviation evaluates passenger rates periodically every three months and/or at any time in the event of a change in avtur prices, the price of the rupiah exchange rate and prices of other cost components.

4 Conclusion

Legal aviation policy, the Government in this case the Ministry of Transportation has established Law No. 1 of 2009 concerning Aviation, with the aim of realizing an orderly, orderly, safe, secure, comfortable flight at a reasonable price, and avoid the practice of business competition that not healthy. One of the content material of the policy regulates tariff rates, in determining tariffs it aims to protect consumers or users of flight services and protection from unfair competition. Tariff determination is considered reasonable, if the government (Ministry of Transportation cq. Director General of Civil Aviation) involves the private sector and the public (collaborative governance) which consists of airlines, passengers, airport managers, navigation companies, aircraft leasing companies, fuel providers, ground handling and supporting services, and insurance companies. Supervision and sanctions continue to be carried out by the government so that the policies that have been issued are adhered to consistently by stakeholders regarding the implementation of flights. Learning from airlines from abroad (for instance, Thelle, M. H., & la Cour Sonne, 2018), stakeholders must be managed efficiently in the flight without leaving safety and security and services to consumers or the community.
REFERENCES


