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## Newsletter

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# Indonesia | Antitrust: In a groundbreaking move, KPPU approves strategic alliance between Garuda Indonesia and Japan Airlines



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## Introduction

In a landmark decision, the Indonesia Competition Commission (KPPU) has approved a strategic alliance between Garuda Indonesia and Japan Airlines, marking the first time such a business arrangement has received formal approval. This signals a new era of receptiveness from the KPPU and its commitment to fostering Indonesia's economic development. The approval process, initiated in November 2024 and finalized in February 2025, involved comprehensive assessments and consultations with various stakeholders. Although the approval was granted with specific terms and conditions aimed at ensuring efficiency and service improvements, it does not exempt the airlines from potential future investigations, emphasizing the KPPU's focus on delivering substantial benefits to the industry and consumers.

### First of its kind - Approval granted for a proposed business scheme

- While the KPPU has long welcomed business stakeholders for discussions and consultations, previous efforts to obtain approval for proposed business schemes had faded into obscurity, largely due to the former KPPU leadership's limited receptiveness to this idea.
- However, in February 2025, the KPPU took a bold step by approving the proposed collaboration between Garuda Indonesia and Japan Airlines.

The information provided in this bulletin is summary in nature and does not purport to be comprehensive or to render legal advice.

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- Through this initiative, the KPPU has helped fill regulatory gaps, signaling its steadfast commitment to helping Indonesia achieve its economic growth objectives.

### **Four months**

According to a release issued by the KPPU:

- Garuda Indonesia and Japan Airlines submitted the request in early November 2024 and obtained approval by the end of February 2025. It took approximately four months for the KPPU to assess the request and grant approval.
- During this time, the KPPU carried out a comprehensive assessment based on the documents and data provided by the parties. It also sought input from external stakeholders, such as the Ministry of Transportation, the Indonesian National Air Carrier Association, and the Association of the Indonesian Tour & Travel Agencies.

### **Terms and Conditions applied**

- The approval was granted subject to specific terms and conditions, which resemble behavioral remedies typically seen in merger control cases. These are:
  1. A commitment not to decrease flight capacity and scheduled flight frequencies;
  2. An obligation to improve operational efficiency and service levels for customers;
  3. A prohibition on including clauses in the commercial contract that would prevent or restrict the parties from collaborating with other carriers;
  4. A requirement to submit regular reports (i.e. every four months) to the KPPU detailing planned flight frequencies, including completed and cancelled flight schedules, revenue, gross profit, and any changes in the company's policy that could affect the collaboration;
  5. Submission of published annual reports.
- The KPPU's announcement did not specify the duration of the reporting obligation under the terms and conditions, though it is likely to apply for the entire duration of the collaboration.

### **Approval without immunity**

- The approval does not exempt Garuda Indonesia and Japan Airlines from potential future investigations.
- The KPPU underscored that the primary objective of granting the approval is to ensure that both parties deliver greater benefits to the industry and customers.