

The Ethical Issues of Aviation Business in Indonesia

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ABSTRACT

Aviation business in Indonesia still has a bad image in the international community because of some ethical cases involving the airline companies. The purpose of this study is to explore the ethical issues of aviation business in Indonesia and to find out how to improve the application of business ethics. This research is an explorative study. Data is obtained through observation, literature study and in-depth interviews with key-informants regarding the ethical issues of aviation business in Indonesia. The results show that the critical issues in aviation business ethics in Indonesia has been identified: 1) the issue of flight safety, 2) environmental issues, and 3) the issue of professional ethics, specifically drug abuse by pilots and crew. The efforts that should be made to improve the application of business ethics in aviation services are to build a corporate culture that has philanthropic responsibility and to make public policy based on moral values, religion and Indonesian culture.

Keywords: *business ethics; aviation business; flight safety; environmental issues; professional ethics*

INTRODUCTION

The aviation service in Indonesia according to *Indonesia National Air Carriers Association* (INACA) has experienced a very significant growth in the last one decade. The increasing number of aviation service passengers which reached 16 percent until the mid of 2016 has caused a tight competition among airline companies to grab domestic and regional markets. International Air Transport Association (IATA) predicts the number of national air transport passengers will increase 300%, reaching around 270 million passengers in 2034, whereas in 2014 the number of passengers is only around 90 million (INACA, 2016).

Indonesia is a potential market for aviation business investors. However, the aviation world in Indonesia is never deserted from cases of ethics violation. This has made an airline rating institute puts some Indonesia's national airline companies in the lowest ranks. A number of cases related to professional ethics violation influencing the flight safety have occurred in the recent years. For example, the arrest of pilot and cabin crew who hold a drug party by the officers of National Narcotics Agency or *Badan Narkotika Nasional* (BNN), involving a number of national airline companies.

Such occurrences are only a few examples of issues related to aviation business ethics in Indonesia. There are still other cases, both are exposed by media or do not appear on the surface for some reasons. The other issues of aviation business ethics are related to flight safety and environmental issues. The number of accidents and serious incidents investigated by National Transportation Safety Committee (KNKT) increased sharply in 2016. In the report of *Global Risk 2016* published by *World Economic Forum*, it is mentioned that the issues of climate and extreme condition as well as the failure of mitigating and adapting the climate change are the challenges to face worldwide in the next 10 years. Surely,

such an environmental issue will directly influence the flight safety in Indonesia (*The Global Risk Report*, 2016).

The aim of this study is to explore the ethical issues related to aviation business in Indonesia and the efforts that have been made to improve the business ethics. Any industry or business must be able to identify the ethical issues which are potential to happen in that industry, including aviation business, although this identification can not be easily practiced. However, according to (Ferrell, 2011) the failure of identifying the ethical issues is a big danger for any organization, especially if business is regarded as a "game" where rules and sportivity are not applied. Sometimes, those who have such a perception can do unethical things or even illegal in order to maximize their position and reap profits for their organization.

Ethics is a branch of philosophy that discusses about what is good and bad, or right and wrong. According Bertens, ethics is the science of morality or science which investigate moral behavior (Bertens, 1993). Ethics is often termed as a practical philosophy. Ethical theories consists of three (3) major theories, namely Utilitarianism, Deontology and Virtue Theory (virtue). Since 1960, ethics began to open up in a concrete and actual topics as the object of investigation. The first applied ethics appeared is ethics in the biomedical sciences. Business ethics is a field of specialization of applied ethics (Bertens, 2013).

There are four things which are viewed as a source of ethical values, namely religion, philosophy, culture, and law (Rudito & Famiola, 2007). In the past, a business ethics- as good-bad teachings in business activities - has deep rooted in religion value. It can be proved that the West's economic book referred to the Bible, Jewish economic ethics took from their holy book, as well as the Muslim, they used value in al-Qur'an and Sunnah as the Islamic economic principles (Hashim, 2012). But in today's modern business, many of busi-

nessman believes that utilitarianism ethics can provide more benefits to society, both sellers and buyers, and often ignore the value from religion and culture of the people. Utilitarianism basic principles apply not only on one's own actions, but applies to the moral rules accepted by the community as the community's behavior standard. In this theory, the moral rules will be considered as valid and correct, if time-tested against the utilitarian principle (Bertens, 2013). The weakness Utilitarianism theory is because it focus on the consequences thoroughly, therefore can sacrifice the interests of individuals for the benefit of which is considered greater (Desjardins, 2009).

The people of society have expectations towards business and business leaders. According to Davis, the society gives legitimacy and strength for business. In the long run, those who do not use the power which the people consider it as a form of responsibility, it will lose legitimacy and strength (Svensson & Wood, 2008). Culture can affect what is perceived as the maximands of corporate governance; for example, a conflict between the interests of shareholders and stakeholders as the highest goal of the company. Therefore, the leaders in the company should be able to define or identify the problems or ethical issues related to business or industry, including aviation business. Ethical issues according to Ferrel is an ethical issue is simply a situation, a problem, or even an opportunity that requires thought, discussion, or investigation to make a decision (Ferrell, 2011).

There are several studies have been published related to aviation business ethics : 1) research on Corporate Social Responsibility (CSR), which aims to explore the CSR issues that were reported by 12 (twelve) airline in Asia (Chen & Chia, 2011); and 2) research on ethical issues in cooperation on flight industry. This study evaluated the competitive activity in the industry of aviation services and the cor-

responding relationships with other supplier companies, especially with the airport (Ravinder, 2007), multi-level ethical management, a case study of airline and hotel (Paek & Chathoth, 2017).

METHODOLOGY

This study uses a qualitative research design and the explanation is descriptive. Whereas viewed from its objectives, this study is an explorative research. Explorative research is employed if the subject is very new and very few or no one has investigated it. Data is obtained through observation, literature study and in-depth interviews with 4 (four) key-informants of the aviation industry as well as business ethics in the year 2016 and 2017.

RESULTS AND DISCUSSION

The Issue of Flight Safety

Indonesia has succeeded to get in the category I in the *International Aviation Safety Assessment* (IASA) program in 2016. This result of IASA audit is the achievement of all stakeholders of aviation circle in Indonesia, because since 2007 all airline companies certified by the aviation authority in Indonesia have been prevented-and-prohibited by European Community. Nevertheless, the number of accidents and serious incidents investigated by National Transportation Safety Committee (KNKT) increased sharply in 2016. Based on the investigation data on the flight accidents and incidents in Indonesia from 2010, according to KNKT, the highest rate of flight accident and serious incident in Indonesia happened in 2016 numbering 41 cases, followed by 34 cases in 2013 and 32 cases in 2011. If compared to the flight hour production, the highest rate of serious incident and accident happened in 2011 with 2.51, followed by 1.19 in 2010. Whereas the accident rate in 2016 has not been found yet

because the data on total flight hour production has not been obtained. The data on total flight hour production is shown in Table 1.

The flight accidents and incidents in Indonesia, according to KNKT report, are caused by human factor (67.12%), whereas technical factor occupies the second rank (15.75%), followed by environmental factor (12.33%) and facilities factor which contributes only 4.79% (KNKT, 2016). The data indicates that the issue of business ethics in flight safety is much related to Human Resource Development in aviation. It is confirmed by INACA in Indonesian Outlook 2016 (Perhubungan, 2017). According to INACA, the cliché problem in the Indonesia's airline industry is the low ability and professionalism of human resources, both in terms of quality and quantity, to support the development of national aviation (INACA, 2016).

The in-depth interview with the General Secretary of INACA shows that the issue of flight safety is still a major issue in airline business. Flight safety becomes an issue of business ethics which must be paid attention by airlines companies and all stakeholders of aviation world. Flight safety is not only the responsibility of airline companies but also other parties such as ground handling companies, airport and the government, in this case Ministry of Transportation. The problems related to

ground handling and airport will always be related to the performance of airline companies. Today, what becomes obstacles related to safety issue in Indonesia are: first, the heterogenous behaviour of consumers in Indonesia. According to the Ministry of Transportation, the tendency to neglect the aspect of safety is directly attributable to behaviour. Passengers with high social status in Indonesia tend to want to be treated specially, like a boss. Whereas many passengers with lower social status do not understand the regulations concerning the safety.

Second, the problem is related to airport capacity which is not suitable with the frequency of flight. Poor airport service and facilities will directly influence the performance of airline company's service. The third problem is related to the low quality of Human Resources in the airline sector. These problems much influence the performance of airline companies in general. Basically, to overcome the problems, the Government has stipulated some regulations. But the implementation much depends on the commitment of airline companies and all related parties to run the regulations.

The Environmental Issue

The ethical issue faced by airline companies related to the environment is how to manage the pollution resulted from

Table 1 Accident Rate during 2010 - 2015

Year	Serious Incident (SI) & Accident	Accident (A)	Flight Hour Production	Rate of SI & A	Rate of Accident
2010	18	8	671204	2.68	1.19
2011	32	19	758318	4.22	2.51
2012	29	13	1893031	1.53	0.69
2013	34	9	1082506	3.14	0.83
2014	30	7	920357	3.26	0.76
2015	28	11	1216801	2.30	0.90

Source: National Transportation Safety Committee , 2016

the aircraft operation, such as noise, contamination on the surface and in the water with deicing fluids specifically caused by airline industry, air quality and the increasing concentration of green house gas. The challenge faced by airline industry now is how to align the growing demand for air transport services with the environmental effects caused by the gas emission from aircrafts as well as from other activities. However, as long as all the external costs are not covered by the ticket price, then environmental destruction caused by airline industry will keep going (Pels, 2008).

Concerning the environmental issues in aviation, Indonesian government has stated its commitment to the environmental issues in the ICAO plenum in Montreal, Canada, 28 September 2010. In that forum, the Indonesian delegation explained Indonesia's commitment to safety, security and maintaining the environment. (<http://dephub.go.id/welcome/readPost/indonesia-kemukakan-isu-lingkungan-hidup-dalam-sidang-icao-2711> accessed on 8 October 2016). As the manifestation of that commitment, Indonesian government subsequently makes a road map for 2012-2020, programs to reduce the emission of Green House Gas (GHG) in the airline industry.

The program of aircraft regeneration that had been planned by the Indonesian government in 2012-2013 was replacing 10% of the aircrafts serving domestic sector. Whereas in the period of 2014-2017 aircraft rejuvenation will be done by using more recent technologies, targeting 15% domestic flights and 5% international flights. In 2016 the government set the target to implement the more efficient operating procedures (Perhubungan, 2012; Senobua, 2014).

The other program is the use of alternative fuel (biofuel), especially for aircraft. The government had planned the year of 2013-2014 to be the phase of developing alternative fuel and in 2015 the government had tested the use of that al-

ternative fuel. In the period of 2016-2017 the government has targeted the airlines in Indonesia use 2% biofuel and in the period of 2018-2020 use 3% biofuel. Through the biofuel program for aircraft and biodiesel for Ground Service Equipment (GSE), Indonesian government has projected to contribute to reducing the carbon (CO₂) emission until 2020 as many as 17% (2,725,796 tons). Whereas through aircraft rejuvenation program, the reduction of carbon emission is 28% and through efficiency program of operational activities the reduction is 19% (Roadmap Direktorat Jenderal Perhubungan Udara, 2012).

However, the challenge faced by the Indonesian government concerning environmental issues is to make policies and strategies that can be implemented and productive. The General Secretary of INACA explains that basically the airline companies in Indonesia have tried to follow the international regulations concerning the use of biofuel. But he hopes the implementation is done gradually and without any business interests of certain suppliers. The NGO which monitors the influence of airline industry on the environment is also hoped to work for the sake of national interests and do not suppress airline companies based on certain motives.

The Issues of Professional Ethics

The issues of professional ethic in the aviation world are the drug abuse of psychotropic substances (narcotic and addictive substances) and alcohol carried out by pilots and flight crew. In fact, the trend of drug abuse in the aviation is increasing significantly in global scale. According to the research of America's National Transportation Safety Board (NTSB), marijuana is the most frequently consumed by pilots. Tests on pilots show that the percentage of the pilots who positively consume marijuana increases 1.6% in the period of 1990-1997 and 3.0% in the period of 2008-2012 (<http://www.nts.gov/safety/safety-studies/Documents/SS1401.pdf>).

IATA, as an international air transport organization, has clear regulations con-

Table 2 List of Crew and Pilots Arrested for Consuming Narcotic 2010-2015

Month & Year	Actor	Location
13 January 2011	1 Pilot and 1 co-pilot	Tangerang
6 April 2011	1 cabin crew	Jakarta
10 January 2012	1 pilot	Makasar
4 February 2012	1 pilot	Surabaya
December 2015	1 pilot and 2 crew	Banten

cerning the consumption of alcohol, drug and psychotropic substances by flight crew in *Cabin Operations Safety Guide 2015*. Whereas the *Civil Aviation Safety Regulation Part 91, General Operating and Flight Amendment 2* (attachment of the Transportation Ministerial Regulation No. KM.18 year 2010), explains the prohibition of consuming alcohol or psychotropic substances for civil aircraft crew. The regulation states that one must not act as a flight crew: 1) in the duration of eight hours after consuming alcohol; 2) when under the influence of alcohol; 3) when consuming drug which influences one's faculty/sense/mind that can endanger the safety; or 4) when having 0.04 percent or more of the alcohol in the blood.

In Indonesia, some pilots and crew of airline companies from 2010 to 2015 have been found consuming narcotic and addictive substances. Indeed, according to the Chairman of National Narcotic Agency or *Badan Narkotika Nasional* (BNN), drug abuse in aviation becomes a serious problem because of its dangerous effects to the passengers of air transportation mode. BNN has actively tried to establish the flight safety in Indonesia by optimizing control, such as taking urine test on the pilot and flight crew seriously, not only routinely but also randomly in the context of time and place. The Chairman of BNN asks the airline companies to be more concerned with the drug issues, making statement of refusing drug abuse. The crew of airline companies are encouraged to actively support the drug prevention efforts because the syndicate of narcotic always take advantage of all exist-

ing gaps in the Indonesian law (<http://www.bnn.go.id/read/berita/15212/komitmen-bersama-selamatkan-dunia-penerbangan-dari-ancaman-narkoba>).

The list of crew and pilots arrested and proven to be consuming narcotic in Indonesia can be seen in Table 2.

Table 2 shows that the case of pilots proven to be consuming drug in Indonesia is dominated by one airline company (the name of the company is not mentioned in this paper). But until now, strict action from the government against the airline company has not been taken. The repeated violation of drug abuse should be avoided by applying strict sanction not only to the pilot but also to the airline company which has been neglecting to supervise or control its workers. As long as there is no strong commitment from the aviation authority concerning such business ethics violations, any effort made by BNN will not be effective in preventing drug abuse among workers in the aviation industry.

The General Secretary of INACA sees it is necessary to establish an Aviation Profession Assembly (MPP), since it will be especially beneficial for pilots. Unfortunately, until now the government has not established it although INACA has encouraged the government to do it soon. He acknowledges that there are still many things to be studied concerning the establishment of such an assembly, one of them is the funding. The importance of such an assembly is also asserted by the Corporate Secretary of PT Garuda Indonesia because the Government must do supervisions to avoid business ethics violation in the avia-

tion world. It is beneficial that the assembly becomes a place for all complaints and it supports the members of aviation profession. Whereas an expert of law professional ethics from University of Indonesia argues that such an assembly as MPP is needed to assure the professionalism of aviation business in Indonesia, especially because the establishment of MPP is a constitutional mandate. This assembly can only regulate the professional ethics administratively and is not related to civil or criminal issues. Nevertheless, this assembly is expected to hold the bonding authority power that should be obeyed by its members.

Improving Aviation Business Ethics in Indonesia

In the modern business today, businessmen believe that secular business morality includes the ethics of utilitarianism and relativism. Both theories of ethics are regarded as giving benefits to people, both seller and buyer. Religion as a source of ethics is considered as not relevant to be implemented and even it is dissociated from business practices, including aviation business. Indeed, according to Desjardins (2009), the ethics of utilitarianism can sacrifice individual interests for the sake of greater interests. Whereas the ethics of relativism has become a serious challenge for ethics, including business ethics. It is because, according to the ethics of relativism, there is no objective truth. If the ethics of relativism is right, then there is no use to study business ethics since it is impossible to evaluate ethical decisions in business if one opinion is as valid as the other opinions.

Actually, the ethical issues in business can be overcome if the universal religious values are adopted as a source of ethics, even less Indonesian people tend to be religious. Carrol and Buchol conceptualize 4 (four) levels of corporate responsibility, namely social-economic responsibility, legal responsibility, ethical responsibility, and philanthropic responsibility. The final

stage is philanthropic responsibility, referring to the activity that is not needed by a business entity but it can promote people welfare or goodwill (Ferrell, 2011). Religious values are very effective for implanting philanthropic responsibility because religions do not measure an activity only from its tradeoff or material considerations. Based on the interview with an expert of Islamic Economic from one college in Bahrain, any business should obey the corporate governance. According to religious values, people do a good deed because of transcendental motivation, that is the reward in the hereafter.

An expert of law professional ethics from one of prominent university in Indonesia has been interviewed. He said that religion is a part or one of business ethics sources. Religious values can overcome ethics violations if they are integrated into the national law. Religious approaches can also be used to settle the dispute or ethics violation which has not been categorized as law violation. In addition to religious values, social-cultural environment should play the role in overcoming business ethics violations. For example, through customary settlements such as colloquy, apologizing, indemnity, and so on for the ethical cases which are not low violations (both civil and criminal laws). However, such a social-cultural settlement should not get rid of the professionalism and service of airline companies for their passengers. Corporations and airlines in Indonesia must obey the law and regulations as well as cultural and religious norms in Indonesia, which are reflected in the aviation practices and services. To him, the values of Pancasila and UUD 45 should be reflected in the aviation practices in Indonesia.

The values or principles adopted from the universal religious values must be internalized by the companies into their employees through developing an organizational culture and ethics-based leadership. One of the key manifestations of ethical leadership is the articulation of values

in an organization. Such an articulation can revolutionize after the process of identifying the values inclusively and it is open for changes in order to face the business challenges. Finally, according to Duska (2007), a company that implements ethical behaviour will get four things as follows: profit, self-integrity and satisfaction with the management, employee honesty and loyalty, as well as customer satisfaction.

Airline companies need to realize that the programs related to ethical issues, in addition to beneficial for humankind and environmental preservation, can assure the sustainability of a company in the future by developing positive image in the eyes of public and aviation service consumers. Thus, implementing and caring about business ethics is a profitable long-term investment for the company. However, an internal control mechanism is needed to assure the implementation of business ethics at the organizational level, so that the ethical program is not only a lip service or public relations campaign for positive image in the eyes of people.

CONCLUSION

Important issues concerning aviation business in Indonesia comprise the issues of flight safety, environmental issues and the issues of professional ethics. The three issues are related each other and the handling depends on the professionalism and integrity of human resources in aviation. The problem of ethics happening in the aviation industry must be continuously paid attention by the airline companies and all stakeholders of aviation world, such as ground handling companies, airport as well as the government. The Indonesian government, in this case Ministry of Transportation as the authority of aviation in Indonesia, is expected to be able to set up implementative and productive policies and strategies related to the issues of business ethics in aviation. The government as the public policy

maker should also pay attention to the legal weaknesses in regulating the ethics.

One of the efforts to be made in order to improve the implementation of business ethics in the aviation service is prioritizing universal religious values as the source of ethics, even less Indonesian people are religious. The philanthropic responsibility will be easily achieved if people adopt religious value since religious teachings do not measure an activity by its tradeoff or material considerations. To establish a company that has philanthropic responsibility, the company needs to develop a strong corporate culture and a value/ethics-based leadership.

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