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POLICY ANALYSIS AND LEGAL EVALUATION OF HIGH DOMESTIC AIRFARE PRICES IN INDONESIA

Rama Gardika
National Legal Development Agency, Ministry of Law of the Republic of Indonesia
Jakarta, Indonesia
E-mail: ramagardika@gmail.com

ABSTRACT

Domestic airfare prices in Indonesia remain high compared to other ASEAN countries, prompting concerns over competitiveness. This study evaluates the regulatory framework influencing ticket prices, focusing on aviation fuel pricing and upper fare limits. Using the Guidelines for the Evaluation of Legislation, six dimensions were assessed: Pancasila alignment, regulatory form, disharmony, legal drafting clarity, conformity with legal principles, and implementation effectiveness. Findings indicate that the aviation fuel pricing formula (Ministerial Decree No. 17.K/10/MEM/2019) and limited competition in fuel distribution reduce market efficiency and fail to promote social justice. The study recommends reforming aviation energy policy, liberalising fuel distribution access, and reassessing airfare caps through participatory processes to create a fairer, more competitive framework.

Keywords: Air Transportation, Airfare Pricing, Aviation Fuel, Policy Analysis, Regulatory Evaluation.

A. Introduction

The sharp surge in domestic airfare prices in Indonesia in recent years has drawn significant public scrutiny and prompted serious concern from the government. This phenomenon has affected not only the tourism sector and public mobility but has also raised critical issues regarding equitable access to transportation and the population's purchasing power.[1] The steep fare increases are often perceived as disproportionate to the travel distance and quality of service provided, prompting questions about the underlying cost structure and the regulatory framework governing the national aviation industry.[2]

One of the primary factors widely believed to be driving the surge in airfare prices is the high cost of aviation fuel. According to data from the Asia Pacific Solidarity Network[3] and

1 Hörcher, Daniel, and Alejandro Tirachini. 2021. "A Review of Public Transport Economics." *Economics of Transportation* 25: 100196. https://doi.org/10.1016/j.ecotra.2021.100196.

2 Köse, Yaşar, and Ceyda Aktan. 2022. "Analysis of Cost Structures and Cost Control Strategies of Airlines: An Empirical Study on a Hypothetical Airline Company." *Journal of Aviation* 6, no. 1: 42-49. https://doi.org/10.30518/jav.1024489.

3 Asia Pacific Solidarity Network. 2024. "AirAsia Boss Says Indonesia's Avtur Price Is the Highest in ASEAN." September 6, 2024. https://www.asia-pacific-solidarity.net/news/2024-09-06/airasia-boss-says-indonesias-avtur-price-highest-asean.html.

VOI[4], aviation fuel prices in Indonesia rank among the highest in Southeast Asia, reaching approximately USD 0.56 per litre, or around IDR 13,200. In comparison, aviation fuel prices in Malaysia and Singapore range between USD 0.52 and 0.54 per litre. This elevated cost is largely attributed to a distribution structure that is effectively monopolised by Pertamina, as stipulated in BPH Migas Regulation No. 13/P/BPH Migas/IV/2008. The closed nature of this market structure is seen as limiting competition and hindering price efficiency.

Table 1 and Figure 1 illustrate a comparative overview of aviation fuel prices and domestic airfares in Indonesia and several neighbouring Southeast Asian countries. The data confirm that aviation fuel prices in Indonesia are relatively higher than those in the region, averaging about 8% more expensive. While this pricing gap does contribute to elevated airfares, it does not fully explain the significant difference in ticket prices, which are around 70% higher on average. This finding weakens the argument that fuel prices are the primary driver of high ticket costs and instead suggests that other structural and regulatory factors—such as limited market competition, fare cap regulations, airport charges, and operational efficiency—play a larger role.

Table 1. Comparison of Aviation Fuel Prices and Domestic Airline Tickets in Several ASEAN Countries

Country	Aviation Fuel Price per Litre	Aviation Fuel Price Comparison	Ticket Price per Hour	Ticket Price Comparison
Indonesia	USD 0.56 / IDR 9,098	-	USD 95.74 / IDR 1,556,527	-
Malaysia	USD 0.52 / IDR 8,438	Cheaper ~7.3%	USD 25.53 / IDR 414,759	Cheaper ~73.3%
Vietnam	USD 0.51 / IDR 8,285	Cheaper ~8.9%	USD 27.66 / IDR 449,343	Cheaper ~71.1%
Thailand	USD 0.52 / IDR 8,438	Cheaper ~7.3%	USD 31.91 / IDR 518,681	Cheaper ~66.7%
Philippines	USD 0.53 / IDR 8,601	Cheaper ~5.5%	USD 23.40 / IDR 380,156	Cheaper ~75.6%

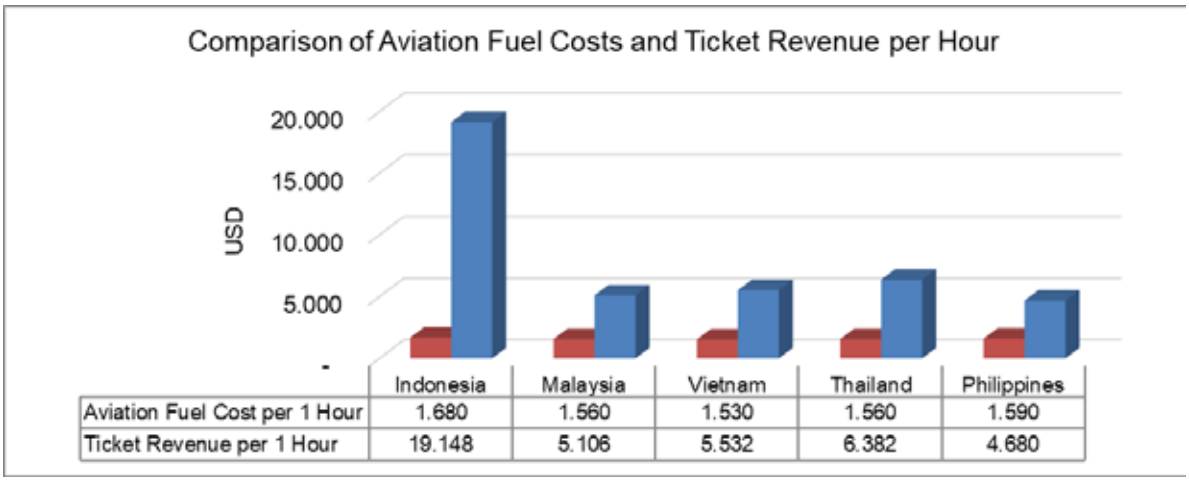
References: Asia Pacific Solidarity Network (2024), VOI.id (2024), Jet-A1-Fuel.com (2024), exchange rate conversion as of July 2024 (USD 1 = IDR 16.246)

Table 1 highlights the disparity in aviation fuel prices between Indonesia and its neighbouring countries, with Indonesian prices averaging about 7-9% higher than those in Malaysia, Thailand, and Vietnam. While this price gap does increase airline operating costs, the data suggest that its impact on ticket prices is relatively limited. Despite the modest difference in fuel prices, domestic airfares in Indonesia are nearly three times higher than those in neighbouring ASEAN countries. This pattern may indicate that Indonesian airlines maintain unusually high margins between costs and ticket revenues, potentially translating into excessive profit-taking at the expense of passengers. Future research should therefore

4 VOI. 2024. "When Asked by AirAsia Boss about the Most Expensive Indonesian Avtur Price in ASEAN, Pertamina Opens Voice." September 9, 2024. https://voi.id/en/economy/414907.

provide more comprehensive cost structure data to determine the precise contribution of fuel prices to total ticket costs.

In addition to the elevated cost of aviation fuel, several other factors contribute to the high domestic airfare prices in Indonesia, including airline operational expenses, taxes, and various ancillary charges. Collectively, these elements result in significantly higher ticket prices compared to neighbouring countries, which, despite benefiting from lower aviation fuel prices, also maintain more efficient operational cost structures.[5]



	Indonesia	Malaysia	Vietnam	Thailand	Philippines
Aviation Fuel Cost per 1 Hour	1.680	1.560	1.530	1.560	1.590
Ticket Revenue per 1 Hour	19.148	5.106	5.532	6.382	4.680

Figure 1. Comparison of Aviation Fuel Costs and Ticket Revenue per Hour in Several ASEAN Countries

Figure 1 presents a comparison between aviation fuel costs (in red) and ticket revenue per hour of domestic flight (in blue) across Indonesia and its neighbouring countries. The gap between the red and blue bars represents the difference between fuel expenses and ticket revenue. In Indonesia, this gap is disproportionately wide, not solely because of slightly higher fuel prices but because ticket revenue per flight hour is nearly three times higher than in neighbouring ASEAN countries. This raises important questions: while part of the gap may reflect higher operational costs, airport charges, and taxes, it may also indicate that Indonesian airlines enjoy significantly higher profit margins, potentially at the expense of passengers. This is an area that warrants further investigation and discussion, as excessive pricing power could be a structural barrier to affordable air travel.

Industry estimates place jet fuel at about 30-40% of airline operating costs, but this does not imply an equivalent share of ticket revenue—the proportion reflected in fares depends on network economics such as load factors, route yields, and fixed costs rather than fuel price alone.[6] The disparity in aviation fuel prices therefore contributes to higher operating costs, but its direct effect on ticket prices is only partial. Elevated operational

5 Sun, Xiaoqian, Mark Hansen, Paul Chiambaretto, and Jie Wang. 2024. "Airline Competition: A Comprehensive Review of Recent Research." *Journal of the Air Transport Research Society* 2: 100013. https://doi.org/10.1016/j.jatrs.2024.100013.

6 Akbar, Ibrahim, and Utomo Sarjono Putro. 2024. "SAF Implementation in 2027: A Case Study of Indonesia." *European Journal of Business and Management Research* 9, no. 5: 1-15. https://doi.org/10.24018/ejbmr.2024.9.5.2408.

expenses in other areas—including airport charges, maintenance, and overhead—also significantly influence the high cost of domestic flights in Indonesia. In response, Indonesia's Business Competition Supervisory Commission (KPPU) has advocated for reforms in the aviation fuel distribution system, including the implementation of a multi-provider model. This approach aims to reduce costs and enhance the competitiveness of the domestic aviation industry.[7]

Furthermore, the tax structure within the aviation sector also contributes to the burden on airfare pricing.[8] Value-added tax (VAT) is imposed on both aviation fuel and passenger tickets, with a combined rate reaching up to 10%. In addition, import duties on aircraft spare parts compel airlines to conduct maintenance abroad, resulting in capital outflows and higher maintenance costs.[9] Consequently, domestic airfares in Indonesia are not only driven up by fuel prices but are also significantly affected by a complex and burdensome fiscal regime.

The upper and lower fare regulations imposed by the Ministry of Transportation through Ministerial Regulation No. 106 of 2019 are increasingly viewed as misaligned with current market conditions. The assumptions regarding aviation fuel prices and exchange rates embedded in the regulation have significantly diverged from present-day realities. As a result, airlines are caught between the need to maintain business sustainability and the obligation to comply with outdated pricing policies.[10] Moreover, the KPPU has also raised concerns over potential anti-competitive practices, such as price cartels—an issue previously confirmed by a Supreme Court ruling and now subject to ongoing regulatory scrutiny.[11]

This study contributes to the policy discourse by applying a six-dimensional regulatory evaluation framework—assessing alignment with Pancasila values, regulatory form, harmony, clarity of legal formulation, consistency with legal principles, and implementation effectiveness. Unlike prior studies that focus solely on economic modelling or airfare elasticity, this approach integrates legal-normative analysis with policy effectiveness assessment, offering a more comprehensive understanding of why regulatory misalignment persists and

7 Wibowo, Agung Satryo, M. Rizky Satrio, and Dwi Fajar Rachmawati. 2023. "Optimizing the Principles of Healthy Business Competition and the Role of KPPU for a Fair Economy in the Digital Era." *Journal of Social Science Studies* 3, no. 1: 95-100. https://jos3journals.id/index.php/jos3/article/view/218.

8 Bernardo, Valeria, Xavier Fageda, and Jordi Teixidó. 2024. "Flight Ticket Taxes in Europe: Environmental and Economic Impact." *Transportation Research Part A: Policy and Practice* 179: 103892. https://doi.org/10.1016/j.tra.2023.103892.

9 Rahmawati, Farida, Rizka Isditami Syarif, and Herindra Adhi Nusantara. 2019. "The Impact of Aircraft Spare Parts Import Duty Exemption on the MRO Industry's Competitiveness and Its Services Export." *International Conference on Trade 2019 (ICOT 2019).* Atlantis Press. https://doi.org/10.2991/icot-19.2019.42.

10 Azzolina, Stefano, Andrea Ceron, Andrea Esuli, and Fabrizio Sebastiani. 2021. "Price Discrimination in the Online Airline Market: An Empirical Study." *Journal of Theoretical and Applied Electronic Commerce Research* 16, no. 6: 2282–2303. https://doi.org/10.3390/jtaer16060126.

11 Pasaribu, Manaek S. 2016. "Challenges of Indonesian Competition Law and Some Suggestions for Improvement." *Economic Research Institute for ASEAN and East Asia (ERIA)* 47. https://www.eria.org/research/challenges-of-indonesian-competition-law-and-some-suggestions-for-improvement.

how it affects airfare levels.

Given these findings, this study evaluates the adequacy of Indonesia's regulatory framework governing domestic airfare pricing, with a specific focus on aviation fuel pricing mechanisms and upper fare limits. To guide this evaluation, the research is framed around a single question: "How adequate is the current regulatory framework—particularly the aviation fuel pricing mechanism and the upper fare limit policy—in ensuring fair, efficient, and socially just domestic airline ticket prices in Indonesia?".

B. Research Method

The research methodology employed in this study is a legal analysis and evaluation approach, utilizing a normative-empirical qualitative framework. It is based on the Guidelines for the Evaluation of Legislation developed by the National Law Development Agency under the Ministry of Law and Human Rights of the Republic of Indonesia, which outlines six key dimensions of assessment. This method is used to evaluate both the substance and implementation of regulations that contribute to the high cost of domestic airfares in Indonesia. The analysis focuses particularly on pivotal regulations such as Ministerial Decree of Energy and Mineral Resources No. 17 K/10/MEM/2019 on the Basic Aviation Fuel Pricing Formula and BPH Migas Regulation No. 13/P/BPH Migas/IV/2008 concerning the Procedures for Setting Aviation Fuel Prices.

The evaluation in this study is structured around six key dimensions: 1) Pancasila Dimension, which assesses the alignment of regulations with the core values of Indonesia's legal philosophy—namely, social justice, humanity, and public welfare; 2) Appropriateness of Legal Form, which examines whether the type and level of regulation are suitable for governing complex matters such as aviation fuel pricing and airfare policy; 3) Regulatory Disharmony, which investigates potential overlaps, contradictions, or inconsistencies among different legal instruments; 4) Clarity of Legal Drafting, which evaluates the extent to which legal norms are articulated in clear, unambiguous language that can be readily understood by relevant stakeholders; 5) Conformity with Legal Principles in the Relevant Sector, particularly those concerning fair competition, market efficiency, and consumer protection; and 6) Regulatory Effectiveness, which measures how well the regulation is implemented in practice, including the structural or institutional barriers that may hinder its optimal enforcement.

As a theoretical foundation, this study also draws upon Hans Kelsen's Hierarchical Jurisprudence Theory, or *Stufenbau des Rechts*. According to Kelsen, the legal system is structured in a hierarchical, tiered manner—resembling a staircase—where each lower-level legal norm derives its validity from a higher-level norm. At the apex lies the *Grundnorm* (basic norm), which serves as the ultimate source of legitimacy for the entire national legal system. Consequently, regulations such as ministerial decrees or BPH Migas regulations must remain consistent with, and not contradict, higher-ranking laws such as Acts of

Parliament, and ultimately, the Constitution as the supreme legal authority. In this context, regulatory disharmony and potential violations of fair competition principles may be viewed as legal defects or invalidities from the perspective of Kelsen's legal hierarchy theory.

This study integrates secondary data from legal documents and national policy frameworks, along with primary data comprising comparative analyses of aviation fuel prices and domestic airfare rates across ASEAN countries. The objective is to provide a comprehensive evaluation of aviation fuel policy and its impact on airfare pricing, while formulating constructive policy recommendations grounded in legal principles, economic efficiency, and social justice.

C. Discussions

1. Evaluation of Regulations Based on Pancasila Dimension

In evaluating legislation that impacts the cost structure of domestic airfares in Indonesia, the first analytical approach employed is the Pancasila Dimension. This dimension aims to assess the extent to which relevant regulations align with the nation's foundational values, particularly social justice (the 5th principle), just and civilized humanity (the 2nd principle), and the ideals of welfare and equitable distribution (the 5th and 1st principles). Ideally, regulations in the energy and air transportation sectors should reflect a commitment to public welfare, regional accessibility, and the principle of serving the greater good.

In practice, however, several existing regulations appear to diverge from these fundamental values. The high cost of aviation fuel—constituting the largest component of airfare pricing—and the limited number of players involved in aviation fuel distribution serve as indicators of the ongoing lack of fairness and efficiency in public service delivery. The following table presents an evaluation of key legal provisions influencing airfare pricing, viewed through the lens of the Pancasila dimension:

Table 2. Evaluation of Regulations from the Perspective of Pancasila Dimension

Regulation / Provision	Analysis (Pancasila Dimension)	Recommended Amendment	Remarks
Ministerial Decree of Energy and Mineral Resources No. 17.K/10/MEM/2019 on Aviation Fuel Pricing Formula	The pricing formula is based on actual transportation and storage costs plus profit margins, without considering the needs of underdeveloped, remote, and outermost (3T) regions or broader public accessibility. This contradicts the principle of social justice (5th principle of Pancasila), as it reinforces a cost structure disproportionately burdensome to consumers.	Revise the pricing formula to incorporate a Public Service Obligation (PSO) mechanism or allow margin adjustments for 3T regions and essential routes to promote fairness and equitable access to public services.	The current formula is overly market-driven and fails to reflect affirmative policy needs.

Regulation / Provision	Analysis (Pancasila Dimension)	Recommended Amendment	Remarks
BPH Migas Regulation No. 13/P/BPH Migas/ IV/2008 on Aviation Fuel Distribution	The exclusive appointment of Pertamina as the primary distributor of aviation fuel across most regions of Indonesia fosters monopolistic practices, restricts healthy competition, and contributes to inefficiently high prices. This runs counter to the principles of social justice and fair humanity (2nd and 5th principles of Pancasila).	Reassess the distribution system by allowing qualified alternative providers to participate, thereby fostering competition and price efficiency.	This regulation reinforces an oligopolistic market structure and undermines the principle of fair and open markets.
Law No. 1 of 2009 on Aviation, Article 129(1): “Each commercial air transport operator is required to submit economy class passenger fares to the Minister for determination of upper and lower fare limits.”	The regulation on fare ceilings and floors is intended to protect airlines from destructive price wars but has, in practice, become a justification for inflated pricing due to weak oversight and lack of transparency. It fails to reflect consumer interests and equitable access (5th principle of Pancasila).	Amend the article to allow for fare-setting mechanisms based on regional affordability indices and greater transparency in pricing processes.	Implementation requires stronger oversight mechanisms and inclusive public participation in fare policy reviews.

The evaluation through the Pancasila dimension reveals that several existing regulations remain heavily aligned with corporate interests or market logic alone, and have yet to fully ensure the protection of the public’s right to fair and affordable transportation. The principles of social justice and humanity—core foundations of the Indonesian state—should serve as the primary basis for formulating public policy, particularly in critical sectors such as energy and aviation. Therefore, regulatory reforms are needed not only to improve technical aspects of governance but also to realign policy direction with the nation’s fundamental ideals as enshrined in Pancasila.

2. Evaluation of Regulations Based on the Dimension of Appropriateness of Types of Legislation

The second dimension of this evaluation focuses on the alignment between the substance of a policy and the appropriate type of legislative instrument used to regulate it. This principle is codified in Articles 8 and 10 of Law No. 12 of 2011 on the Formation of Laws and Regulations, which stipulate that legal content must be governed by the correct type of regulation, in accordance with its normative character and position within the legal hierarchy. Misclassification or improper use of regulatory instruments can undermine the legal legitimacy of a policy and increase the risk of normative conflict or even abuse of authority.

In the context of high domestic airfare prices, several regulatory provisions—despite having significant material impact on the public—are enacted merely through ministerial regulations or internal institutional decrees. This raises legal concerns regarding transparency, public participation, and legal certainty. The following is an evaluation of selected regulations based on the appropriateness of the legal instruments employed:

Table 3. Evaluation of Regulations from the Perspective of the Appropriateness of the Type of Legislation

Regulation / Provision	Analysis (Type of Regulation)	Recommended Amendment	Remarks
Ministerial Decree of Energy and Mineral Resources No. 17.K/10/MEM/2019 on Aviation Fuel Pricing Formula	A Ministerial Decree is used to regulate the aviation fuel pricing formula, despite the fact that the substance affects a strategic sector with direct implications for the public and national cost structure. Ideally, such matters should be governed through a Ministerial Regulation or even a Government Regulation, to ensure broader public participation and stronger legal harmonisation.	Convert into a Ministerial Regulation of the Ministry of Energy and Mineral Resources (MEMR), or formulate jointly with the Ministry of Finance and the Ministry of State-Owned Enterprises as a Joint Regulation or Government Regulation, given its cross-sectoral impact.	Relying solely on a Ministerial Decree provides an insufficient legal foundation for regulating strategic energy pricing, as such matters require a stronger and more comprehensive statutory framework.
BPH Migas Regulation No. 13/P/BPH Migas/IV/2008 on Aviation Fuel Distribution	The regulation governing aviation fuel distribution monopoly is issued by the Head of BPH Migas, an administrative agency. Since the regulation affects market structure and business competition, it should be governed under a higher-level regulation to prevent potential conflicts of interest.	Recommended to be elevated to a Presidential or Government Regulation, given its implications for market structure and the need for strong legal legitimacy in regulating business actors.	Institutional regulations tend to be technocratic and lack sufficient political-legal legitimacy.
Circular Letter of the Directorate General of Civil Aviation on Domestic Passenger Fare Mechanisms	A circular letter is used to regulate the technicalities of fare ceilings, despite containing binding norms and sanctions. The use of a circular to regulate pricing norms risks being legally invalid (ultra vires).	Should be formalised through a Ministerial Regulation issued by the Ministry of Transportation to ensure legal enforceability and proper public review mechanisms.	Circular letters are not recognised as formal legislation under Law No. 12 of 2011.

The analysis based on the appropriateness of regulatory instruments reveals a mismatch in both the form and hierarchical level of certain regulations. The use of circular letters or ministerial decrees to govern strategic economic matters—such as aviation fuel pricing and airfare tariffs—poses significant legal risks. Such regulatory choices often

bypass the principle of checks and balances, and undermine public participation and accountability in the rulemaking process. Therefore, harmonisation and revision of the legal forms of these policies are necessary to align them with the principles of a democratic rule-of-law state.

3. Evaluation of Regulation Based on the Dimension of Regulatory Disharmony

This third dimension assesses the coherence and consistency among regulations within the national legal system. Regulatory disharmony arises when there is overlap of norms, substantive contradictions, or a lack of continuity between existing legal instruments. In the case of domestic airfare pricing, disharmony emerges from the misalignment of policies across key sectors—namely, the energy sector (related to aviation fuel pricing), the transportation sector (fare mechanisms), and the competition sector (aviation market structure and the monopoly in aviation fuel distribution).

This lack of regulatory harmony not only creates confusion in practical implementation but also generates legal uncertainty for both businesses and the public. In strategic sectors such as aviation, policy coherence is essential to ensure that regulations are effective and mutually reinforcing, rather than contradictory. The following table outlines key instances of regulatory disharmony:

Table 4. Evaluation of Regulatory Disharmony Regarding Ticket Prices and Aviation Fuel

Regulation / Provision	Analysis (Regulatory Disharmony)	Recommended Amendment	Remarks
Ministerial Decree of Energy and Mineral Resources No. 17.K/10/ MEM/2019 vs. BPH Migas Regulation No. 13/P/BPH Migas/ IV/2008	The aviation fuel pricing formula is determined by the Ministry of Energy and Mineral Resources, while BPH Migas sets a monopolistic distribution model. There is no inter-agency coordination, leaving market players with no alternatives despite high prices.	Reform through an integrated regulation involving multiple ministries (Energy, Transportation, and SOEs) in the form of a Joint Regulation or Presidential Regulation to create a more competitive aviation fuel market.	Aims to prevent single-player dominance (monopoly) and expand market access.
Ministry of Transportation Regulation No. 20/2019 (fare caps) vs. Law No. 5 of 1999 on the Prohibition of Monopolistic Practices	The fare cap mechanism restricts airlines' pricing flexibility, yet is not matched by competitive fuel market regulation. This undermines the principle of fair competition.	Harmonise fare regulation and aviation fuel policy under the principle of equal competition—for example, by adjusting fare structures based on transparently verified operational costs.	Imbalance between airfare control and aviation fuel price control.

Regulation / Provision	Analysis (Regulatory Disharmony)	Recommended Amendment	Remarks
Law No. 19 of 2003 on State-Owned Enterprises vs. Pertamina's Aviation Fuel Policy	Pertamina, as a state-owned enterprise, holds a dominant role in aviation fuel distribution, but is not legally bound to ensure price efficiency or public accountability in service delivery.	Amend implementing regulations under the SOE Law to impose a public service obligation (PSO) on aviation fuel supply at domestic airports.	Introduces public service principles into the energy sector for public transportation needs.

Based on the evaluation of regulatory disharmony outlined above, it can be concluded that the lack of coherence among relevant regulations significantly contributes to the high operational costs borne by airlines—costs which are ultimately passed on to consumers in the form of elevated ticket prices. When airfare policies are strictly regulated while aviation fuel costs remain uncontrolled or shielded from competition, a systemic distortion arises, undermining the efficiency of the national aviation industry. To address this imbalance, a coordinated policy package should be developed: (1) liberalising aviation fuel distribution through a multi-provider model to encourage competition and reduce prices, (2) revising fare cap regulations to reflect cost structures more accurately while maintaining consumer protection, and (3) establishing a cross-ministerial task force involving the Ministry of Transportation, MEMR, and KPPU to ensure ongoing regulatory harmonisation and monitoring. These measures would provide a targeted framework to foster a more equitable, transparent, and competitive aviation ecosystem.

4. Evaluation of Regulations Based on the Dimension of Clarity of Formulation

The fourth dimension emphasises the extent to which laws and regulations are formulated using clear, unambiguous, systematic, and accessible legal language for all stakeholders. Ambiguously worded or multi-interpretable norms pose significant risks, including mis-implementation, inter-agency conflicts, and potential exploitation by business actors with disproportionate access to resources.

In the context of regulating aviation fuel prices and airline ticket fares, several provisions have been identified as lacking in specificity and failing to provide clear technical guidance for implementation on the ground. This ambiguity spans both the formulation of pricing mechanisms and the delineation of institutional authority. The following is an evaluation of the relevant regulatory language:

Table 5. Evaluation of the Clarity of the Formulation of Ticket and Aviation Fuel Price Regulations

Regulation / Provision	Provision Analysis	Recommended Amendment	Remarks
Ministerial Decree of Energy and Mineral Resources No. 17.K/10/ MEM/2019, Annex II: Aviation Fuel Pricing Formula	The regulation lacks detailed elaboration on the components of the pricing formula (e.g., distribution costs, Pertamina's margin, storage costs), leaving significant room for non-transparency.	Explicitly list each price component in writing and ensure periodic publication through an online platform to guarantee information transparency.	Enhances transparency and mitigates the risk of monopolistic pricing practices.
Minister of Transportation Regulation No. 20/2019, Articles 2 and 3	The provisions concerning upper and lower fare limits are overly general and do not explain the mechanism for adjusting fares in response to aviation fuel price fluctuations or market dynamics.	Introduce supplementary provisions that outline an automatic fare adjustment mechanism based on objective operational cost indicators.	Prevents rigid and unresponsive fare policies.
BPH Migas Regulation No. 13/P/BPH Migas/ IV/2008, Article 6	Fails to explicitly define the mechanism for selecting business entities authorised to distribute aviation fuel, resulting in de facto exclusivity for Pertamina with no competitive oversight.	Clarify the article by incorporating an open selection mechanism or require KPPU oversight to monitor aviation fuel distribution practices.	Opens up the aviation fuel market to other qualified business entities and fosters competition.

Based on the table above, it is evident that the wording of several key regulations does not yet meet the standards of legal clarity. Vague phrasing, the absence of technical implementation mechanisms, and a lack of mandatory transparency obligations render these regulations susceptible to misinterpretation or unaccountable enforcement. A more precise regulatory formulation should, at minimum, include: (1) a transparent, publicly accessible formula for aviation fuel price calculation that clearly specifies cost components (e.g., base fuel price, distribution margin, taxes), (2) mandatory periodic publication of benchmark prices by the MEMR, and (3) a clear dispute-resolution mechanism for airlines to challenge price irregularities. These provisions would enhance legal certainty, promote accountability, and ensure fairer price-setting in the aviation fuel market.

5. Evaluation of Regulations Based on the Dimension of Compliance with the Principles of the Relevant Legal Field

This dimension emphasises the importance of aligning legislation with the foundational principles of the relevant branches of law. In this context, the areas of concern include competition law, consumer protection law, and public service law. Core principles such as fairness, efficiency, transparency, non-discrimination, and accountability serve as benchmarks for assessing whether a given regulation upholds the fundamental tenets of the legal domain it governs.

In the context of aviation fuel distribution and airline fare regulation, there are strong indications that existing regulations do not fully align with the aforementioned legal principles. The monopolistic practices in aviation fuel distribution at airports, coupled with the lack of healthy competition in aviation service provision, have contributed to inflated and inefficient operational costs. The following table presents a more detailed analysis:

Table 6. Evaluation of Regulatory Compliance with Legal Principles

Regulation / Provision	Principle-Based Analysis	Recommended Amendment	Remarks
BPH Migas Regulation No. 13/P/BPH Migas/ IV/2008, Article 6	Contradicts the principle of fair competition, as a single state-owned enterprise is granted exclusive rights to distribute aviation fuel across all airports.	Introduce provisions that ensure market openness and competition in the aviation fuel sector.	Requires active oversight by the KPPU and the Ministry of Energy and Mineral Resources.
Ministerial Decree of ESDM No. 17.K/10/ MEM/2019, Aviation Fuel Pricing Formula Attachment	Lacks transparency and does not adhere to the principles of openness and fairness in public service pricing.	Revise the formula to incorporate efficiency parameters and mandate regular public disclosure to both airlines and the public.	Aims to uphold consumer rights to fair and auditable pricing.
Minister of Transportation Regulation No. 20 of 2019, Article 3	The rigid upper fare cap, which is not adjusted to reflect consumers' purchasing power, undermines the principles of consumer protection and social justice.	Revise the fare scheme to be more adaptive, data-driven, and inclusive of public participation mechanisms.	Especially impacts residents in non-Java regions with limited travel alternatives.

Given the misalignment of current regulations with the core principles of the relevant branches of law, it is essential for the government to undertake a systematic evaluation of both the substantive content and the implementation mechanisms. Regulatory harmonisation grounded in the principles of justice, transparency, and fair competition will foster a more efficient, equitable, and accessible air transportation system for all segments of society.

6. Evaluation Based on the Dimension of Effectiveness of Implementation of Legislation

The effectiveness of regulatory implementation constitutes a crucial dimension in assessing whether a legal provision can truly achieve its intended objectives when applied in practice. A regulation that is normatively sound will yield little benefit if it is not supported by consistent enforcement, robust oversight, and institutional capacity to carry it out. In the context of regulations governing aviation fuel pricing and domestic airline fares, there are multiple indications that implementation remains suboptimal.

First, the current jet fuel distribution mechanism—monopolised by a single state-owned enterprise—remains effectively closed to other potential providers, despite legal

provisions allowing for market entry. This is largely due to weak implementation and a lack of facilitation by the relevant regulatory authorities. Second, inefficiencies in the aviation fuel supply and transportation chain have led to higher operating costs for airlines, which are ultimately passed on to consumers through elevated ticket prices. Third, the upper and lower fare limits set by the Ministry of Transportation are not regularly adjusted to reflect market dynamics or public purchasing power, and are not supported by a robust price monitoring mechanism.

Table 7. Evaluation of the Effectiveness of Implementing Aviation Fuel and Airline Ticket Price Regulations

Regulation / Provision	Implementation Analysis	Recommended Amendment	Remarks
BPH Migas Regulation No. 13/P/BPH Migas/ IV/2008	While normatively allowing other business entities to distribute aviation fuel, in practice no competitors have entered the market due to the absence of entry incentives or institutional safeguards.	Introduce incentives and institutional support mechanisms to encourage new entrants in the aviation fuel distribution sector.	Requires the development and facilitation of fuel infrastructure at domestic airports.
Ministerial Decree of Energy and Mineral Resources No. 17.K/10/ MEM/2019	The implementation of the base price formula lacks public verifiability and does not accommodate fluctuations in global market conditions.	Ensure pricing transparency and subject price-setting mechanisms to independent or public oversight.	Should include regular audits of distribution costs and pricing margins.
Minister of Transportation Regulation No. 20/2019	Ceiling fare evaluations are not conducted periodically based on actual economic data, and oversight of airline fare compliance remains insufficient.	Develop a participatory and data-driven (real-time) fare evaluation system.	Should incorporate integration of airline fare reporting systems with government monitoring platforms.

Overall, the weak implementation of these various regulations underscores the fact that the mere existence of legal provisions is insufficient without robust and consistent enforcement. An effectiveness-based evaluation highlights the critical need for cross-sectoral collaboration—among the Ministry of Energy and Mineral Resources, the Ministry of Transportation, BPH Migas, and the KPPU—as well as active public participation in oversight and policy advocacy. The overarching goal is to ensure that prevailing air transportation fares genuinely reflect the principles of fairness, efficiency, and affordability.

D. Closing

The evaluation of statutory regulations governing domestic airfare pricing demonstrates that elevated ticket prices in Indonesia are not merely the result of market dynamics or airline operational costs, but are significantly shaped by a regulatory framework that lacks coherence, transparency, and adaptability. The aviation fuel pricing formula set forth in

Ministerial Decree of Energy and Mineral Resources No. 17 K/10/MEM/2019, combined with a generalised airfare ceiling policy, has created systemic inefficiencies that ultimately burden consumers. These findings confirm the presence of regulatory disharmony, vague legal drafting, and underdeveloped participatory mechanisms, all of which undermine the principles of social justice, market efficiency, and fair competition mandated under Law No. 5 of 1999 on the Prohibition of Monopolistic Practices and Unfair Business Competition.

To address these issues, the government should elevate the legal basis of aviation fuel pricing from a ministerial decree to a government regulation, thereby providing stronger legal certainty and better alignment with the hierarchy of norms as outlined in Hans Kelsen's *Stufenbau des Rechts* theory. This regulation should require the Ministry of Energy and Mineral Resources to disclose a transparent pricing formula that specifies cost components, including the international benchmark price, distribution margin, taxes, and handling fees. The ministry should also be mandated to publish benchmark prices on a monthly basis, ensuring accountability and enabling independent oversight.

Furthermore, fuel distribution should be liberalised through the adoption of a multi-provider model that allows new market entrants to compete under fair and non-discriminatory access conditions to airport storage and hydrant facilities. The KPPU should actively monitor market concentration levels and intervene where there is evidence of dominant position abuse.

In parallel, the upper airfare limit policy should be reformed to reflect actual airline cost structures and the purchasing power of the population. This can be achieved through biennial reviews conducted by the Ministry of Transportation, supported by stakeholder consultation forums that include airlines, consumer associations, economists, and tourism representatives. Such reviews would ensure that fare regulations strike a balance between affordability, industry sustainability, and regional connectivity.

Finally, regulatory harmonisation must be institutionalised by establishing a cross-ministerial task force consisting of the Ministry of Transportation, MEMR, KPPU, and the Ministry of Finance. This task force should periodically review aviation-related regulations to ensure they remain consistent with competition law and Pancasila's social justice mandate. In addition, airlines and Pertamina should be required to submit cost and pricing data to an independent public dashboard, thereby enhancing transparency, supporting evidence-based policymaking, and enabling data-driven adjustments to both fuel pricing and fare cap policies.

Taken together, these measures would lay the groundwork for a more competitive, transparent, and socially equitable domestic aviation market—one that supports national mobility, promotes regional development, and strengthens Indonesia's competitiveness in the ASEAN aviation sector.

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Curriculum Vitae of Author

Rama Gardika, S.M. is a graduate of the International Management Program with a concentration in Financial Management from the Faculty of Economics and Business, Universitas Jenderal Soedirman, completing his studies in 2017 with a GPA of 3.28 out of 4.00. Immediately after graduation, he was appointed Chief Editor, overseeing four academic journals at his alma mater.

Rama currently serves as a Policy Analyst (First Expert) at the Ministry of Law of the Republic of Indonesia. He brings over eight years of professional experience in business development, market research, financial analysis, and corporate strategy across the technology and retail sectors.

He is also an alumnus of the Social and Ecological Market Economy Training from Germany and a co-founder of UrbanWit, an environmental organisation active since 2016. A prolific writer, Rama frequently contributes articles to various online platforms and published an international scientific paper titled “Comparative Study Between the Performances of Two Islamic Indices: Study on FTSE Bursa Malaysia EMAS Shariah (FBMS) and Indonesia Sharia Stock Index (ISSI)” in 2018.

With his strong academic and professional background, Rama remains deeply committed to advancing discourse in management, public policy, and sustainability while continuously honing his expertise in policy analysis and scholarly writing.