



## Thohir Drains the Swamp

By

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### Introduction

In the few months since his appointment as the Minister of State-owned Enterprises (BUMN), Erick Thohir has made waves in carrying out his task of cleaning up and restructuring Indonesia's state-owned enterprises. His high-profile moves, which include appointing Basuki Tjahaja Purnama (popularly known as Ahok) as the new Commissioner of Pertamina as well as his decision to remove Garuda Indonesia's CEO for smuggling illegal goods using Garuda Indonesia's state-owned aircrafts indicate that Erick Thohir will not shy from his task of shaking up and turning around underperforming BUMN-affiliated enterprises.

This THC Insights will delve into what Erick Thohir has done so far, and what remains to be improved for state-owned enterprises, as well as possible paths that the Minister Erick Thohir can take in further reforming state-owned businesses.

### From Football Club Owner to Minister

Erick Thohir is well known for being a successful businessman, and among his achievements, he owns the distinction of being the first Indonesian to own Inter Milan, a top-flight football club hailing from Italy. He also used to own a minority stake in the Philadelphia 76ers, a basketball team on the rise in the NBA. Recognizing his skills, President Joko 'Jokowi' Widodo appointed him first as the head of his re-election campaign team and later with a strategic post in the new Indonesia Onward Cabinet. Though his cabinet position may seem like a political reward at first glance, Erick Thohir has since dispelled that notion by showing his capabilities to carry out his new job, dismissing corrupt corporate leaders, and



planning a massive overhaul of state-owned enterprises.

## Gassing out the Mafias

Amongst the many problems afflicting state-owned businesses, mismanagement is high on the list. For instance, Erick Thohir has claimed almost every single state-owned enterprise that he knows of has been dabbling in the hotel business, which clearly steers away from the core business of each respective enterprises. As such, Thohir has made it his mission to rectify this and start paring down state-owned enterprises.

Second on the list would be rampant corruption. The oil/gas sector has long been accused of being plagued by “corporate mafias”. This has resulted in trade deficits due to increasing oil imports thanks to the so-called mafias’ efforts to continue importing in order to line up their pockets. To fight against this, Erick Thohir appointed Basuki Tjahaja Purnama better known as Ahok, as the new commissioner of the state-owned oil and gas company, Pertamina. As the commissioner, Ahok is tasked to oversee and audit Pertamina, which leaves very little room for the ‘mafia’ to maneuver.

Initially, Ahok was rumoured to join the board of directors at Pertamina.<sup>1</sup> However after some internal pushback, President Jokowi and Erick Thohir eventually settled on appointing him as Commissioner. Regardless, some believe Ahok will do just fine in his capacity as a Commissioner, since he is also known for exposing underperforming/corrupt officials.

## Garuda Indonesia’s Free-fall from Grace

Indonesia’s flagship carrier, Garuda Indonesia, has come a long way from almost going bankrupt during the monetary crisis at the end of the last millennium. Yet old habits of mismanagement have reared its ugly head once again in the past few years. Recently, customs officers discovered illegal goods being smuggled using a new shipment of Garuda Indonesia’s aircraft. As the investigation quickly unfolded, it was later traced all the way to the top, nailing Garuda Indonesia’s CEO, Ari Askhara. Erick Thohir demanded Ari Askhara’s accountability, and when he did not comply, he was promptly dismissed along with the rest of his cronies, which also happen to have seats in Garuda Indonesia’s upper management. Further, more shocking allegations have come to light, aside from systemic corruption. While it has long been suspected by some that Garuda Indonesia has engaged in less than ethical conducts over the last few years, but the extent of just how far this has gone turned out to be beyond our expectations,





including allegations of a prostitution ring that exploited the airline's female attendants.<sup>2</sup> Reports suggest that senior Garuda Indonesia officials abused their position of power to demand sexual favors from the airline's flight attendants and would punish those who refused to do so by reassigning them to more difficult shifts/routes.<sup>3</sup>

Another issue is Garuda Indonesia's financial accountability, in which the company was found to have "cooked the books" in its annual report, which should have set off alarm bells at that point. On a related note, Garuda Indonesia's fare hikes have also been a point of concern for the tourism industry with the public put off from travelling due to the high ticket prices.

As the national flagship carrier, Garuda Indonesia bears an immense responsibility to represent Indonesia and to its customers and stakeholders. Garuda Indonesia has long fallen behind its global competitors not just in price, but also quality. For Garuda Indonesia to even dream of competing with its regional competitors, let alone global, it must begin house cleaning and work to build trust in customers and stakeholders again.

## Starting Line

At this critical juncture, this is where state-owned enterprises draw their starting line towards a better future. Pertamina must immediately work to eradicate the oil corporate mafias and work towards building a self-sustaining oil industry by opening up nationally-owned oil rigs, and push for an aggressive expansion into the global market. Garuda Indonesia has so much on its plate as of the moment, starting from overhauling its board of directors, investigating corruption and prostitution allegations, improving service and value for money. To ensure Garuda Indonesia soars again, Erick Thohir must choose business leaders with a proven track record for integrity. As of this writing, Erick Thohir has announced he will appoint Garuda Indonesia's new CEO and leadership by January 2020. The new leadership must begin re-evaluating the entire company on their first day, and while looking for ways to improve the airline's service, they must also look for opportunities in untapped regions, such as the Scandinavian region, a tourist destination on the rise.

## Analysis/The Verdict

Erick Thohir has done as much as he could within such a short span, but his early breakthroughs have set the tone of what President Jokowi expects out of Indonesia's state-owned enterprises. So far, they





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have been encouraging. It will be up to Thohir's management skills to get the most out of these state-owned enterprises. The Minister has drawn the starting line for the enterprises that he will oversee from here on, but how they will go forward from here to fulfill Jokowi's vision of a self-sustaining nation supported by its own enterprises still remains to be seen.





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## Endnotes

- 1 Detik.com (2019, November 23) 'Pengamat: Ahok Lebih Cocok Jadi Dirut Pertamina' <https://finance.detik.com/energi/d-4795524/pengamat-ahok-lebih-cocok-jadi-dirut-pertamina>
- 2 Suara, (2019, December 11) '6 Fakta Dugaan Prostitusi di Garuda: Pramugari Disebut Jadi Simpanan Bos' retrieved from: <https://www.suara.com/news/2019/12/11/161933/6-fakta-dugaan-prostitusi-di-garuda-pramugari-disebut-jadi-simpanan-bos>
- 3 Kompas, (2019, December 12) 'Pramugari Garuda Minta Erick Thohir Sapu Bersih Orang Dekat Ari Askhara' retrieved from: <https://money.kompas.com/read/2019/12/09/162852726/pramugari-garuda-minta-erick-thohir-sapu-bersih-orang-dekat-ari-askhara?page=all>.





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