

Indonesia proceeds with Garuda-ATR graft case

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Indonesia's government has commenced legal proceedings against its flag carrier Garuda Indonesia, accusing the airline of corruption.

"It's not just accusations, but facts," the state-owned enterprises minister, Erick Thohir, said in a broadcast statement.

Thohir said he had handed over audit documents proving graft linked to lease contracts for ATR72-600 aircraft.

There are also indications of wrongdoing involving other suppliers, Thohir said, and those will be attended to next.

"We know based on valid data that in the procurement process for aircraft and leasing there are corruption indications with various brands," the minister said. "We are providing evidence from an investigative audit, so this is not an accusation. It is not only about arresting or punishing related individuals but about improving the overall administration."

Garuda chief executive Irfan Setiাপutra said the airline would support the attorney general's efforts to "clean up" the national carrier.

In 2021, Indonesian prosecutors found that ATR had paid \$300,000 to Garuda officials so that they would order 21 ATR72-600 regional aircraft, and that Rolls-Royce middlemen paid a combined \$307,000 for engine contracts for an initial six A330-300s on direct order from Airbus and an additional four A330s leased from Aercap, although the largest bribe, of \$1.5 million, was paid by former Bombardier officials for the procurement of six CRJ1000 regional aircraft, they said.

In 2020, Garuda said that it wanted to stop operating its ATR72-600 and Bombardier-MHI CRJ1000 fleets "immediately" as both were deemed unsuitable for its future operations.

Nordic Aviation Capital (NAC) leases 12 CRJ1000 and 20 ATR72 aircraft to Garuda.

The 20 NAC-owned ATR72-600s were built between 2011 and 2018, also with 12-year operating leases attached.

The NAC-owned CRJ1000s flying for Garuda are on 12-year operating lease agreements expiring between June 2024 and October 2027.

Garuda also owns six CRJ1000s, and it has been seeking buyers for them since last year.

In 2013, Garuda, NAC and ATR signed an agreement for the introduction of up to 35 new ATR72-600 aircraft into Garuda's fleet, comprising 25 firm aircraft and options for a further 10.

NAC has denied any wrongdoing. In 2021, the lessor told AFJ that its lease contracts with Garuda remained in force despite the flag carrier's decision to terminate certain leases.

The 20 ATR72s and 18 CRJ1000s remain registered to Garuda, although some have been stored.

Earlier this week, AFJ reported that creditors had submitted approximately IDR198 trillion (\$13.8 billion) in claims against Garuda as part of the flag carrier's court-supervised debt restructuring known as PKPU.

The carrier's administrators say they will review the claims by 19 January.

The court may declare Garuda bankrupt if the airline fails to reach creditor agreements following several rounds of negotiations.

To restructure its debt, the flag carrier is considering issuing zero-coupon bonds or new shares.

Meanwhile, creditors are being asked to accept haircuts on what they are owed or agree to [debt-for-equity swaps](#).

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Garuda said it is also continuing its efforts to reduce its aircraft leasing costs through negotiations with lessors with the aim of returning as many aircraft as possible with the smallest penalties possible.

Indonesia's government holds 60.5% of the airline while the rest is publicly listed.

Chairul Tanjung, one of Indonesia's wealthiest citizens, holds 28.3% of Garuda and is its largest private investor.

Chairul this week confirmed that he would participate in a capital increase following a successful restructuring of Garuda.

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