



Anticipated easing of foreign ownership restrictions set to boost airport development

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Local media sources report that Indonesia will soon revise its “Negative List”, a list that stipulates to what degree certain sectors may be closed for foreign investment. The revisions are likely to be the result of a technical meeting to be organised by the Coordinating Ministry for Economic Affairs, led by Minister Darmin Nasution.

The Ministry has suggested that the FDI parameters around the transportation and pharmaceutical sectors may be favourably revised. Further, Transportation Minister Budi Karya Sumadi has intimated that he wishes to discuss the potential for increased foreign ownership of airport management companies at the upcoming meeting, with a view to encouraging further foreign investment in the sector.

Currently, Indonesian airport operators must be majority owned by an Indonesian local entity for sovereignty reasons. Indonesia currently has in excess of 200 airports and, as an archipelagic country, this number must grow in order to support the mobility of people and goods domestically in the absence of sound land-based transport infrastructure. The maintenance and refurbishment of existing facilities is a capital intensive process, and expansion is required to meet rising passenger demand. The International Air Transport Association has predicted that Indonesia will be the sixth largest market for air travel globally by 2034. With Indonesian airports already heavily burdened, a move to encourage FDI and “know-how” in this area would create a platform to build capacity and improve aviation infrastructure.

The discussions around liberalising foreign ownership of airports also arises against a background of a proposed asset recycling programme of seaports and airports (see our [April 2017 edition of Indonesia In Focus](#)) and a regional airport PPP pipeline.

The most recent Negative List was enacted under Presidential Regulation No.44 of 2016 and become effective on 18 May 2016 (“**2016 Negative List**”). Until replaced by an alternative list, the 2016 Negative List is the current reference point for foreign investment in Indonesia.

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