

Bali – Nusa Tenggara Economic Corridor

Development Theme:

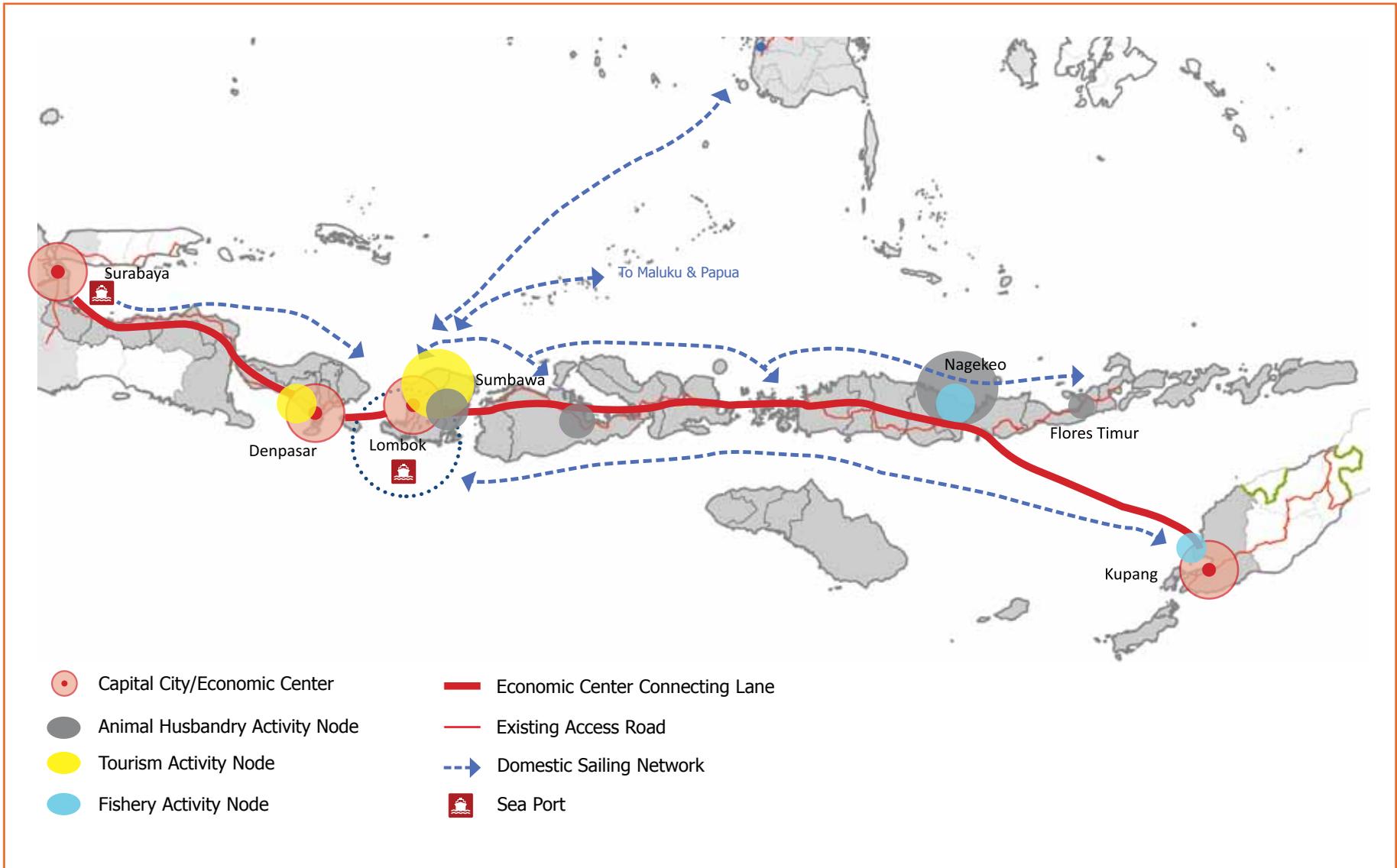
Gateway for Tourism and National Food Support

Consists of 4 Economic Centers:

- Denpasar
- Lombok
- Kupang
- Mataram

Main Economic Activity:

- Tourism
- Fishery
- Animal Husbandry



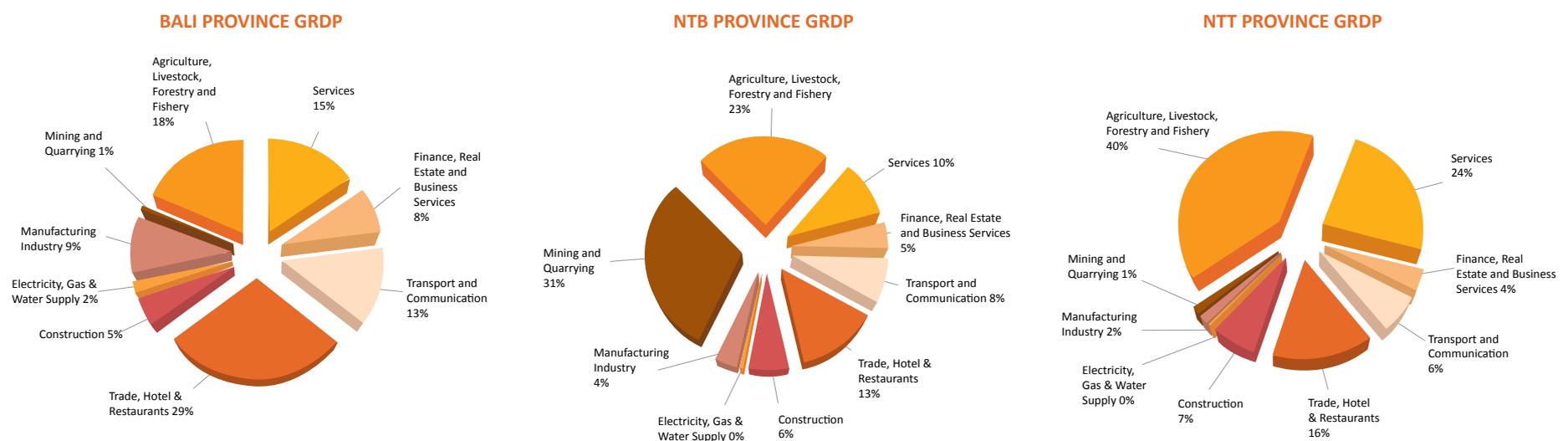
Overview of Bali–Nusa Tenggara Economic Corridor

The theme of Bali - Nusa Tenggara Economic Corridor is the **Gateway for Tourism Industry and National Food Support**.

The theme is aimed to improve the people’s welfare in this corridor where 17 percent of the population is below the poverty line and has a relatively high income disparity of IDR 17.7 Million per capita (between the richest and poorest regencies/cities in this corridor). Meanwhile, this corridor has a quite strong social condition which can be seen from the high level of life expectancy at 63 years. The literacy rate in this corridor is 80 percent and the level of GRDP per capita is IDR 14.9 Million, which is higher than the national GDP per capita of IDR 13.7 Million.

This corridor faces various problems including the unequal population distribution, low investment level and limited availability of basic infrastructure. Therefore, this corridor needs acceleration and expansion of economic development, which will focus on 3 main economic activities: tourism, fisheries and animal husbandry.

The following figures show the contribution of tourism as reflected in trade, hotel, restaurants and agriculture sectors, fisheries and animal husbandry on the economies of Bali, West Nusa Tenggara (NTB) and East Nusa Tenggara (NTT).



Source: Exposure Presentation “Tourism Development Concept of Bali - NTB - NTT Corridor”, Ministry of Culture and Tourism, 2011

Figure 3.F.1: GRDP of Bali, NTB, NTT by Sector (2008)

Figure 3.F.1 shows that the main economic activities of tourism, fisheries and animal husbandry significantly contribute to the GRDP of each province by 47 percent (Bali), 36 percent (NTB) and 56 percent (NTT). With an average contribution to GRDP increasing by 11 percent per annum within the last five years, all three of these activities are potential drivers of the economy in Bali - Nusa Tenggara Economic Corridor .

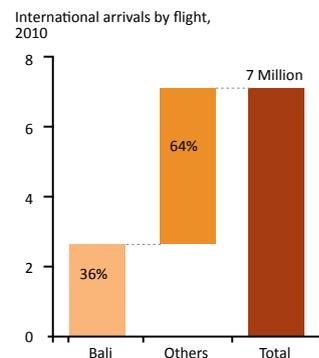
Tourism



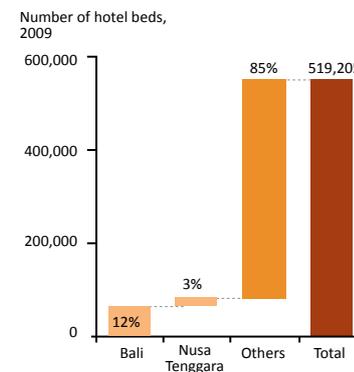
Tourism development in Bali - Nusa Tenggara Economic Corridor is focused on the 9 National Tourism Destinations. The services industry has a strategic role to increase workforce absorption, promote equal employment opportunities and achieve equitable national development. It also contributes to the foreign exchange revenues and poverty alleviation.

The increasing number of foreign tourists visit in 2010 has consequently increased the value of tourism's contribution in the amount of USD 7.6 billion compared to the USD 7.3 billion in 2008. The National Tourism Development Master Plan (Ripparnas) 2011 - 2025 targets foreign tourists visit will increase to 20 million per annum by 2025.

Almost 40% of foreign flight arrivals are to Bali



Bali & NT have 15% of national hotel capacity



They account for 21% of national hotel income

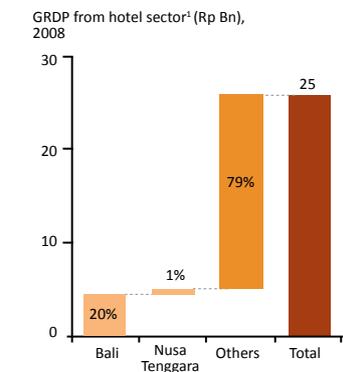


Figure 3.F.2: Tourism in Bali - Nusa Tenggara

¹ In 2000 constant money
Source: BPS

From a national perspective, Bali is the gateway for the main economic activity of tourism in Indonesia. Almost 40 percent of tourist visits in 2010 arrived through Bali. Ngurah Rai International Airport in Bali receives more than 2 million tourists annually. In addition, Bali hotels represent 15 percent of Indonesian total hotel capacity, and 21 percent of national hospitality income came from this corridor. Nationally, tourism absorbed approximately 14 percent of the workforce in 2009, with 6.98 million jobs created as shown in the table below.

Tourism Performance of Indonesia		
	WORLD (2010)	INDONESIA (2010)
Number of foreign tourists visiting	935 Million	7 Million
Growth of foreign tourists visit	6.61 %	10.74 %
Income from foreign tourist	USD 3,900 Billion (2008)	USD 7.6 Billion
Employment	238 Million Employment	6.98 Million Employment (2009)

Figure 3.F.3: Performance of Tourism Indonesia 2010

Source: UNWTO and NESPARNAS

In the future, Bali – Nusa Tenggara Corridor will continue to develop tourism as a main economic activity as there are still many tourism potential unrealized at this time. Tourism in this corridor has a very good prospect with Bali as a tourism development center supported by the culture and natural resources from NTB and NTT. Bali has international recognition from respective international institutions with awards such as Best Tourism Island in the World (2005) by TIME magazine; Best Exotic Destinations (2008) by Luxury Travel Magazine, London, England; Best Asian Tourism Island (2009) by CEI Asia Magazine; Best Tourism Destination Island in Asia Pacific (2007, 2009, and 2010) and Best Leisure DestinAsian (2006, 2008) at The Fifth Annual DestinAsian Readers' Choice Awards.

In addition, Bali as a center of growth in Bali-Nusa Tenggara Economic Corridor, will continue to have high and stable tourism growth, which is marked with the increasing number of tourist visits, which was 1,328,929 people (2006); 1,741,925 people (2007); 2,081,786 people (2008); 2,384,819 people (2009); and 2,546,023 people (2010), with an average hotel occupancy rate of more than 60 percent. Bali also has sufficient numbers of domestic flights to various destinations in Indonesia and international flights to and from Bali, thus enabling Bali to serve as a gateway as well as distribution center for Indonesian tourism. However, there are still challenges faced by tourism in Bali, which can be seen from: (1) the average tourist spending per day in Bali, which is lower than their spending in Thailand and the Maldives (2) the decreasing average length of tourist stays in Bali as shown in the figure below.

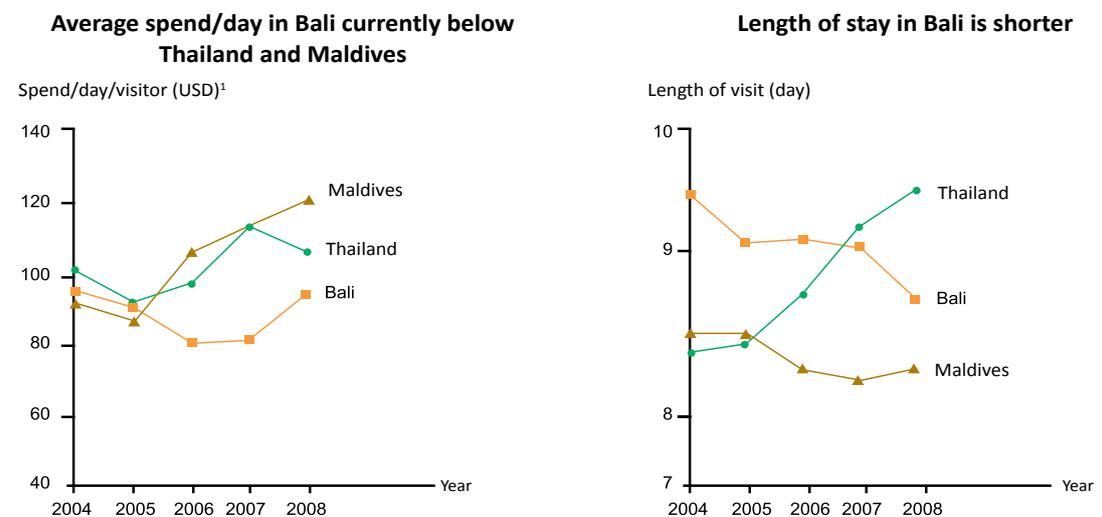


Figure 3.F.4: Tourism Challenges in Bali - Nusa Tenggara

¹Only for foreign tourists, excluding flight ticket. Data adjusted for inflation and exchange rate fluctuation
Source: BPS; Tourism Authority of Thailand; Maldives Monetary Authority; EIU

DATA	Unit	2009		2010	
		Bali – Nusa Tenggara	INDONESIA	Bali – Nusa Tenggara	INDONESIA
Number of Direct Foreign Visit	Person	2,436,409	6,323,730	2,597,889	7,002,944
		38.53%	100%	37%	100%
Average Spend per Visit	USD	1,353.26	995.93	1,581.84	1,085.75
		135.88%	100%	146%	100%
Average Spend per Day	USD	105.67	129.57	151.30	135.01
		82%	100%	112%	100%
Average Length of Stay	Day	13.19	7.69	10.66	8.04
		172%	100%	133%	100%

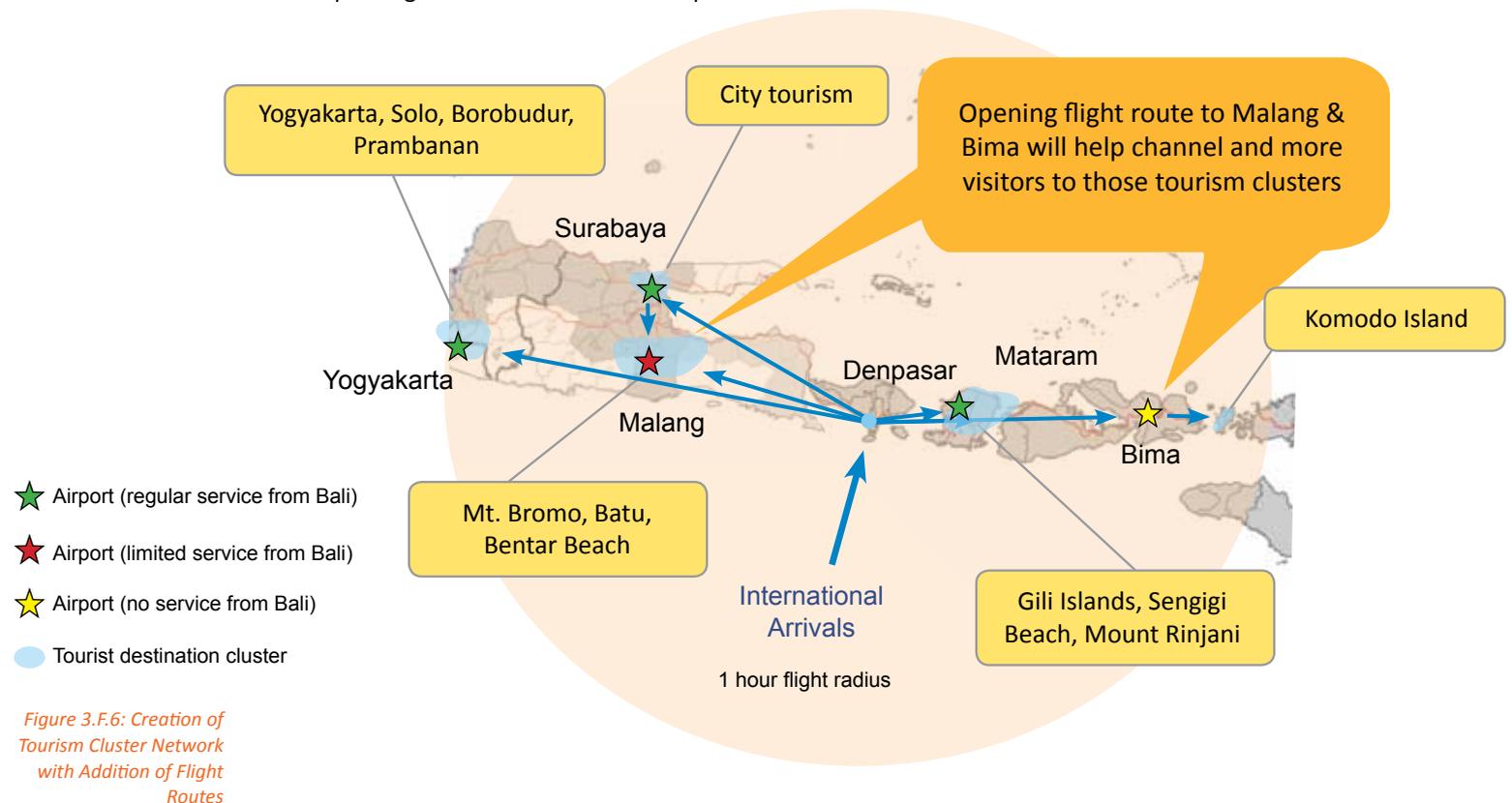
Figure 3.F.5: Tourism Profile in Bali - Nusa Tenggara

Description: Data as of 2010 direct foreign tourists visiting Bali-Nusa Tenggara via Ngurah Rai Airport, Port of Padang Bai, Bena, Port and Airport of Selaparang Benete, El Tari Airport, cross-border Atambua, Port of Maumere and Kupang.

Source: P2DSJ Ministry of Culture and Tourism, BPS

Several general strategies to increase tourist arrivals and length of stay in Bali and Nusa Tenggara are:

- Improving security in Bali - Nusa Tenggara Economic Corridor, among others by a strict security system implementation;
- Tourism marketing and promotion that is more focused with a clear target market. The marketing strategy will need to be tailored depending on the specific target country of tourists by applying the following theme "Wonderful Indonesia", "Wonderful Nature", "Wonderful Culture", "Wonderful People", "Wonderful Culinary", and "Wonderful Price". This marketing and promotion strategy is intended to showcase Bali as the center of tourism in Indonesia and to improve the image of Bali as a leading world-class tourism destination;
- Empowering the Bali Tourism Board to coordinate marketing and promotion efforts of Bali;
- Promoting the development of tourism destinations in Bali's northern region will focus on strategies to attract and encourage the tourist to stay longer in Bali by provision of increased services and facilities. However any new developments in Bali will be guided by high environmental management standards;
- Improving tourism destinations beyond Bali ("Bali and Beyond") by encouraging Bali as the main tourism gateway of Indonesia, allowing tourists to experience enormous tourism theme such as beach tourism (Bali, Lombok, East Nusa Tenggara), cultural tourism (Bali), mountainous tourism (East Java, Bali, Lombok), and endangered species tourism (Komodo Island). The key to success of this strategy is access and provision of adequate flight routes to tourism destinations beyond Bali, driven by a strong and targeted marketing strategy;
- Increase services and facilities for the tourists including improved infrastructure such as water supply, electricity, transportation and communication;
- Improving human resources development and tourism awareness in NTB and NTT.



Aside from increasing the number of tourists visiting Bali - Nusa Tenggara Economic Corridor, another factor to obtain higher income from this main economic activity is by increasing spending yield of tourists. The changes in the world's economic pattern have impacted local tourism. Therefore, the government and the tourism industry stakeholders must proactively identify and explore new markets that can encourage future tourism growth.

To improve the image of tourism and the development of up-market tourism in this corridor, efforts should be directed to make Bali a major tourist destination for “Meeting-Incentive-Convention-Exhibition” (MICE), cruises and yachts. Nusa Tenggara should be further developed to be a showcase of SMEs-based, ecological, adventure, culture and maritime tourism.

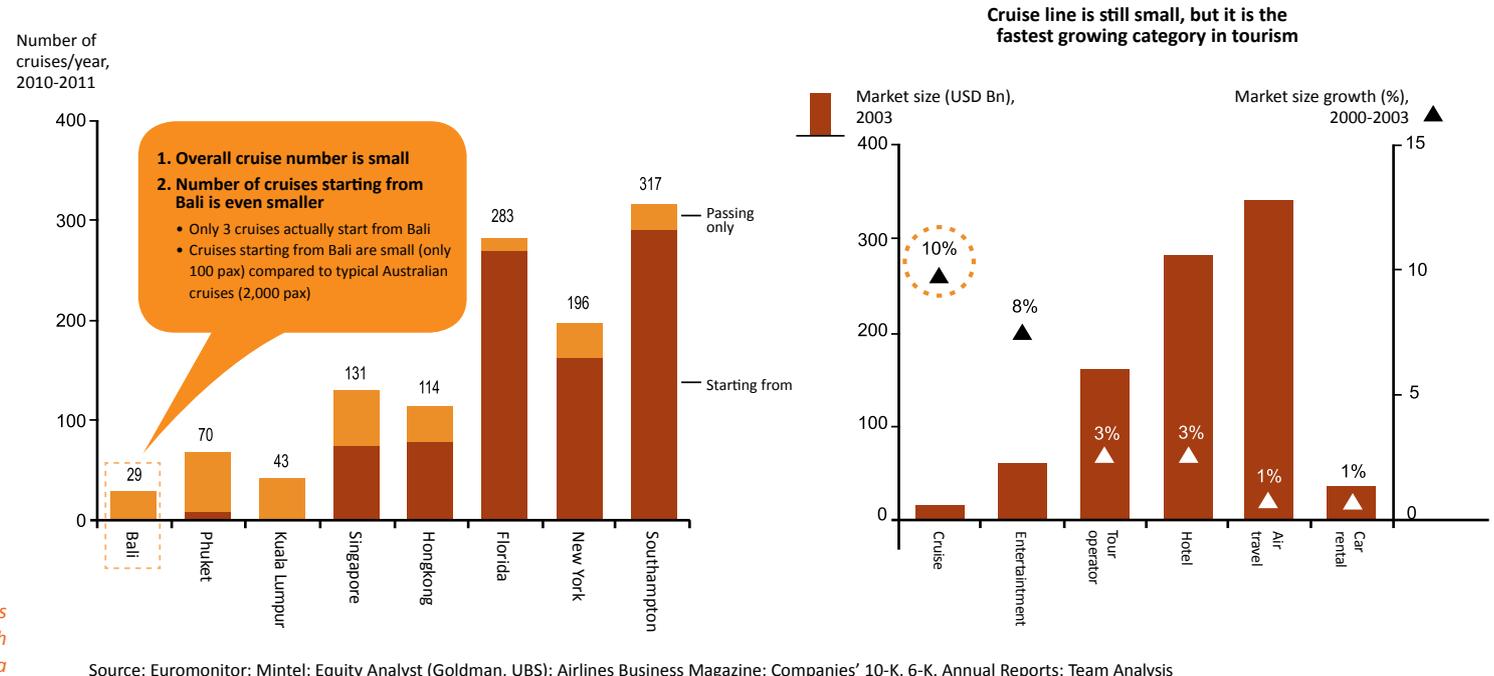


Figure 3.F.7: Cruises Market Share Growth in Bali - Nusa Tenggara

Source: Euromonitor; Mintel; Equity Analyst (Goldman, UBS); Airlines Business Magazine; Companies' 10-K, 6-K, Annual Reports; Team Analysis

Regulation and Policy In order to implement these general strategies, the following regulatory and policy support is required:

- Simplify and broaden issuing of Entry Visa, Visa On Arrival and Visa On Board for foreign tourists and a visa extension for foreign yachters;
- Prepare a development standard for cruise terminals and marinas as port of entry;
- Facilitate the implementation of CAIT (Clearance Approval for Indonesian Territory) for foreign yachters;
- Reduce/eliminate the temporary import duties for foreign yachters entering Indonesian waters;
- Review the spatial plan of Bali, NTB and NTT to support tourism development plan in Bali;
- Prepare Standard Operating Procedure (SOP) for the acceleration of permits and the provision of Integrated One-Stop Service for all permits to develop tourism area.

Connectivity (infrastructure) Infrastructure needs must be met in order to improve connectivity to support the tourism development as one of the main economic activities by:

- Increasing capacity and airport services, such as the airport development in Lombok, which can be promoted as a “Matahari Kembar” (The Twin Sun) – as a supplement to the Ngurah Rai airport, in order to alleviate the burden of passenger traffic in this corridor which is projected to exceed the Ngurah Rai Airport capacity in 2020;
- Increasing capacity and development of road infrastructure, such as the Nusa Dua - Benoa Toll Road development plan;
- Improving access roads to link the tourism areas outside the southern part of Bali and within the regions of NTB and NTT;
- Developing the Bali Tourism Outer-Ring Railway (long-term plan);
- Improving existing harbors and marinas to meet international standards (such as cruise and yachts);
- Constructing new power plants that uses renewable and clean fuel such as wind or Compressed Natural Gas (CNG) will be pursued to increase the availability of electricity for Bali and Nusa Tenggara.