

INDONESIA



Halt to new hotel development in Bali



By Denny Rahmansyah

The Governor of Bali recently issued Letter No. 570/I665/BPM dated December 27, 2010 regarding a Moratorium on Principal Licenses (Capital Investment Registration/Capital Investment Principal License) for Tourism Accommodation Service Businesses (Letter No. 570). This letter, in effect, sets a moratorium on hotel development in three areas in the popular tourist area of south Bali, specifically the Denpasar municipality, the Badung regency and the Gianyar regency.

Letter No. 570 was addressed to the head of the Capital Investment Coordinating Board (BKPM) in Jakarta and also copied to all mayors/regents in Bali and the chairman of the Hotel and Restaurant Association of Bali. It became effective as of January 5, 2011 and is in effect indefinitely until further assessment from the Governor of Bali.

Implications

Following the issuance of Letter No. 570, the Regional BKPM (BKPMD) in Bali has subsequently decided not to issue any recommendations to the national BKPM for new hotel developments in the Denpasar, Badung and Gianyar areas. Consequently, the BKPM has now temporarily ceased issuing Capital Investment Registration and the Capital Investment Principal Licenses for both foreign and domestic capital investment companies intending to develop new hotels. Beginning January 5, 2011 the Governor of Bali also ordered the mayors and regents across the areas of Denpasar, Badung and Gianyar to comply with the Letter by not issuing any licenses for new hotel development in these areas. It is clear that the moratorium is not intended to affect the existing licenses for hotels that had been obtained prior to Letter No. 570.

Reason

The reason for the moratorium is that the Governor of Bali believes that southern Bali, specifically in the three affected areas, is

already over-supplied with hotel rooms and that future investment in the hotel industry should therefore be directed to the less-developed northern areas of Bali. Southern Bali has also recently received some negative international media attention due to its overcrowding, pollution, and traffic concerns. The Governor may be attempting therefore to both prioritise development in the north and lessen the impact of overdevelopment in the south. For example, the provincial government of Bali is currently looking at building a second international airport in the province, likely in the north, as well as improving the transportation links between the overcrowded south and the underdeveloped north.

Pros and cons

The Governor's plan to implement the moratorium on new hotel development has received mixed feedback from the Balinese regional governments and local communities. Some believe that the moratorium will unnecessarily slow economic growth in the affected areas, while also noting that the Governor should focus on improving south Bali's infrastructure instead of issuing a blanket moratorium on hotel development. The Regent of Gianyar, the Mayor of Denpasar and the Regional Representative Council (DPRD) of Badung are amongst the parties who strongly protested the issuance of the moratorium.

Others have supported the issuance of the moratorium, including the Indonesian Young Entrepreneurs Association (HIPMI) of Bali, since they believe that the issuance of the moratorium is necessary to re-focus investment and development of related infrastructure projects for the tourism sector in the other six regencies located in northern Bali. They concur with the Governor of Bali that hotel rooms in the Denpasar municipality, Badung regency and Gianyar regency are over-capacity and that construction of new rooms needs to be temporarily ceased.

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