Failure Factors of Public-Private Partnership at Tourism Port Development of Tanahampo in Bali

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Abstract

Public-Private Partnership (PPP) in Indonesia only succeeded in the road sector and clean water. PPP sector Tourism Port Tanahampo failure, despite the tender held for 2 (two) times. This failure is a failure of government that has targeted the development of Tanahampo Port Tourism as a priority program which is already listed in the list of Bappenas in 2012. This study is a literature study, comparing the determinants of success (Critical Success Factors/CSF) PPP in the literature with the failure of the PPP Harbor Tourism Tanah Ampo Bali. This study concluded that the factors causing the failure of the PPP in the construction of port infrastructure Tanahampo tourism in Bali, among others: (1) Factors aspects procurement, tender failed twice caused no interested participants to submit bids; (2) Factors legal aspects, namely: the seizure of local government authorities (local government) and the Central Government. Local Government area of less agreed to surrender assets to the central government on the grounds of regional autonomy; (3) Factors consortium aspects, namely: lack of clarity about the PPP models that will be implemented, the Government tendered by BOT system, while most of the infrastructure has been built by the government; (4) social and cultural factors, the community asked the percentage of labor up to 30% at the time of operation, which is not necessarily the expertise and there is no clear form of cooperation the transfer of land belonging to local communities in the PPP.

Keywords: public, private, failure factors, infrastructure, Bali

1. Introduction

State of Indonesia is a developing nation, a very restricted budget in building the infrastructure. To overcome the limitations of government budgets make Public Private Partnership program (Bappenas, 2010).

Perpres No. 13 of 2010, which see two shareholders, specifically government and private. The idea of PPP does not include the dynamic involvement of the native society; it requests to create a prototypical of PPCP. PPCP engages three shareholders, specifically public, private, and society.

The important issue of PPP in infrastructure development is the selection of the private partner (Zhang, 2005). It requires a special methodology to establish the best private partner who will be a partner for the government.

Efforts active participation approach implementation in Indonesia (Ministry of Home Affairs, 1992) has led to a variety of perceptions and interpretations vary about the meaning of participation.

The approach that has been taken by the government that comes from the top down is often called top-down should have been abandoned. Regional autonomy is being encouraged. Any type of project should be a public proposal from the bottom, which will benefit the local community (Wilmsen, 2008).

Several studies have been conducted abroad, about the determinants of success (Critical Success Factor/CSF) Public-Private Partnership (PPP) in infrastructure projects with a contract Build Operate Transfer (BOT). Identifying six critical success factors of PPP in private infrastructure projects in the UK are: entrepreneurship and leadership; the accuracy of the identification of projects; strong consortium; advantage of technical solutions; a financial package that is different from traditional contracts; assurance of risk (Morledge, 1997). Five critical success factors in the BOT contract in the UK, namely: a suitable investment conditions; economic viability;

consortium reliable with a good reputation; financing structure; and the appropriate allocation of risk and benefit with the approval of the contract (Zhang, 2005b). Five critical success factors of PPP with BOT contracts in the UK, namely: effective procurement; implementation of the project; government guarantee; favorable economic conditions; and the availability of markets (Li & Akintoye, 2005).

Several studies have been conducted in Indonesia, about the determinants of success (Critical Success Factor/CSF) Public-Private Partnership (PPP) in infrastructure projects with BOT contract. Four determinants of the success of PPP in the construction of buildings in Surabaya, ie: financial, consortia, technical, and risk sharing (Rachmawati, 2006). Six determinants of the success of the PPP contract on the construction of the bridge crossing in Surabaya, namely: commitment, government policy, a contract, a satisfactory profit, private sector capability, and ease of transfer (Yuliana, 2012).

Outside the determinants of success/Public-Private Partnership CSF there is some research on the PPP that has been done in Indonesia. Research that has been carried out, among others: profit sharing approach to PPP network-based integrated utility of Surabaya city game theory (Diana, 2014); analysis of the successful implementation of the national movement of water rescue partnership in Sumber Fight and Tulungrejo (Puspito, 2014); management partnership funding model tourist area Sarangan Magetan (Zainuddin & Utomo, 2011); exploration factor for ex-post evaluation frame work on PPP infrastructure projects in Indonesia (Leatemia, 2014); and modeling of the concession period PPP projects that optimize performance together in the drinking water supply sector (Negoro, 2011).

Study abroad, outside the determining factor of success/CSF PPP, among others: private participation in transport case of Indonesia's Build, Operate, Transfer (BOT) toll roads (Wibowo, 2005); risks and guarantees in BOT Tender (Tiong, 1995); alternative strategic financing for Build Operate Transfer Project (Schaufelberger, 2003); Build Operate Transfer procurement Traps: Examples from transportation projects in Thailand (Ogunlana, 1997); and Public Private Partnership for the urban environment.

Some research community participation, the development of tourism infrastructure has been done both in Indonesia and abroad, among others: community involvement and participation in tourism development in Tanzania (Michael, 2009); Limits to community participation in the tourism development process in developping countries (Tosun, 2000); and a strategy to increase community participation in the management of rural water supply systems in the Middle East District South East Nusa Tenggara (Taopan, 2007). Active participation in the community approach has been widely published Indoneia in government regulations, among others: active community participation is meant here is: people want to be involved in decision making tourism development, local people also want to be involved in the distribution of benefits of tourism, the involvement of the local workforce, and share the profits of tourism with the public at large (Michael, 2009).

Communities in Bali called Bali traditional village. Balinese traditional village is the unity of indigenous people in the province of Bali which has a tradition of unity and social life ordinances hereditary Hindu community in bond of *Tri Kahyangan Tiga* or village that has a particular area and its own assets and reserves the right to manage his own household (Regulation of Bali Province No. 3, 2003). Communities apart in Bali by local indigenous origin and there is also in other areas, namely: *Huta/Nagori* in North Sumatra, *Gampong* in Aceh, *Nagari* in Minangkabau, *Marga* in Southern Sumatra, *Tiuh* or *Pekon* in Lampung, *Lembang* in Toraja, *Banua* and *Wanua* in Borneo, and *Negeri* in Maluku (Act 6, 2014).

Failure of infrastructure development of tourism in Bali, is often thwarted by local communities/indigenous villages, conduct denial for reasons of social and cultural factors. Revitalization and reclamation plans Benoa Bay, Village People got rejection of Tanjung Benoa, Kelan, Sidakarya, and other local community components (LPPM Unud, 2013). Revitalization plan and reclamation Gulf Continent are in accordance with government regulations (Presidential Decree 51, 2014). This infrastructure development plan cannot walk, because of the local community in the demo/Village People, to the national level. Development plans Geothermal Power Plant Geothermal Bedugul Bali, stopped because getting rejection of components Bali Society (PPLH Udayana University, 2005).

Infrastructure problems are social and political issues. Selection of concession contracts in developing countries, is very risky on risk transfer issues. In this case, the risk in question is a political risk. Developing countries usually with conditions/unstable political climate (Schaufelberger, 2003); (Chua, 1999); (Zhang, 2005b). The problems of cooperation with the BOT in Thailand is unstable political conditions (Ogunlana, 1997).

In Indonesia, the PPP has been applied include the Paiton Power Station and the motorway. Cooperation between PT Jasa Marga as government agencies designated as the regulator of toll roads in Indonesia. A total of 31.24%

of the toll road that has operated in Indonesia is implementing PPP (Jasa Marga, 2003).

On the one hand, the PPP can run and develop properly as indicated by the increased value and revenue. It occurs mainly in the sectors of highways, bridges, airports, railways, power generation, and telecommunications. For example, Private Finance Initiative program (PFI) in the UK (United Kingdom), has savings of as much as 15% when compared with traditional contracts (Zhang, 2005a). Another example is the ongoing income earned during the period of the concession on the toll road sector in Indonesia (Jasa Marga, 2003).

CSF based on PPP in previous research both in Indonesia and abroad, as a reference for identifying the failure cause of PPP Ports of Tanahampo Tourism in Bali.

Based on the above problems, the objectives of this study are: to identify the factors that cause the failure of the PPP in infrastructure development Tourism Port Tanah A mpo.

Originality of this study is a factor of social and cultural aspects is one of the causes of the failure of the PPP in infrastructure development Tanahampo Touris m Port.

2. Methodology Research

This research uses primary and secondary data, to get the factors causing the failure of PPP infrastructure development Tanahampo Touris m Port, while the phase of this study are as follows: (a) Collect literature study the determinants of the success of PPP in Indonesia and abroad; (b) Collect PPP projects already underway in Indonesia; (c) Comparing the PPP Tourism Port Tanah Ampo with PPP already underway in Indonesia; (d) Analyze the factors causing the failure of the PPP Ports Tanahampo Bali Touris m; (e) Summing up the cause of the failure of the PPP Ports Tanahampo Touris m Bali.

3. Results and Discussion

3.1 Public-Private Partnership (PPP)

Model PPP in which the assets of government in the form of immovable property used optimally through cooperation with third parties (private) done in forms as follows : Build Operate Transfer (BOT), Build Transfer Operate (BTO), Build Operate (BO), and Operational Cooperation (Siregar, 2004).

Model PPP cooperation BOT contract is relatively new, but has been widely applied in many developing countries in recent years. European cooperation contract is known as concesssions where governments develop infrastructure projects and involving private sector in the design, financing, construction, and operation within a certain period (concession period). Rights holders (concessionaire) has responsible and bear all risks associated with construction and operation, but they have management rights over the concession period (Levi, 1996).

	Operation & Maintenance	Ownership	Investment	Commercial Risk	Duration (year)
Management	Public &	Public	Public	Public	1-2
Support	Privat	Public			
O & M	Privat	Public	Public	Public	3-5
Leasing	Privat	Public	Public	Semi-Privat	8-15
Concession	Privat	Public	Privat	Privat	20-30
DBO	Privat	Public	Public	Privat	20-30
BOT/BOO		Public &		Privat	20-30
	Privat	Privat	Privat		

Table 1. Characters of alternate formulas of PPP

Source: (OECD, 2005)

Model PPP contract involving the government and private parties (Kurdi, 2004) are generally divided into four parts: (a) Contract services, operations and maintenance; (b) Principles of BOT (Build-Operate-Transfer); (c) The principle of the concession; (d) The principle of the joint venture.

Difficulties frequently happen in developing nations (Askar, 2002) contain: lawful matters, the setting, the consequence of unanticipated, high-cost, effective resolve of concession era, the bond passage matters, and

consequences to the Operate stage.

CSF is some of the corporation's actions which influence on the capability of the corporation to attain its goals. CSF is comparable to the idea of organization by exclusion in terms of directing on the quota of a corporation's general actions except CSF is extra constant though organisation by exclusion is able to modificate from one era to the following (McLeod, 1995).

3.2 PPP Toursim Sector

Research on the dynamics of tourism policy is using a network approach. The focus of the study is to clarify the effect of complexity reputation, cooperation and communication of the various stakeholders in the process of formulating the policy of tourism development. Stakeholders involved in the activities in question are link between stakeholders from the Public-Private sector and non-profit organizations (Chistof Pforr, 2006). Research is on the relationship of local government with local associations. The study was conducted in the city of Chiang Mai and Nakhon Sawan, Thailand. Rulland research results to some types of local associations concluded that in Thailand, the local associations play less of a support function to the local economy. The role which is still strong played financial support to religious activities or cultural activities (Rulland J., 1993).

3.3 Tools for Analysis

This research using descriptive statistical theory tools to identify the factors that cause the failure of the tourism infrastructure development Tanahampo Bali Tourism Port. This research is an exploratory study, comparative, and descriptive (Sugiono, 2005).3.4 Previous Research

The aspects that influence the success factors of PPP with the BOT scheme in previous research can be seen in Table 2.

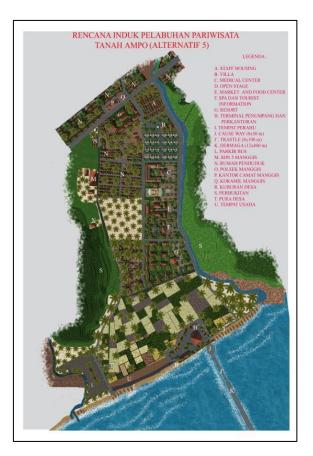
No	Aspect	(Zhang, 2005)	(Tiong, 1992)	(Li., 2005)
1	Financial	**	**	**
2	Consortium	**	* *	**
3	Technical	**	**	**
4	Government Guarantees	*	* *	**
5	Risk Sharing	**	*	*
6	Procurement Services	*	*	**
7	Social	*	*	*
8	Culture	*	*	*

Table 2. Aspects influence PPP on former research

Description:

**: Aspects to be reviewed.

*: Aspects to be investigated



3.4 Discussion

Location Harbor Touris m Tanahampo located in Manggis district, Karangasen, Bali. In 2007, Procurement land port development is done by the Government of Karangasem area of 1.5 ha. Office development is done by the Provincial Government of Bali. Pier construction and facilities at sea carried out by the Ministry of Transport of the Republic of Indonesia (RI). In 2010 Bappenas enter into the construction of the Blue Book with the PPP system.

PPP is expected to accelerate the development of port infrastructure Tanahampo tourism. Accelerated development plan is a conflict of interest between the Ministry of transportation and Bappenas. Transportation department wants to continue construction without PPP, the reason most of the construction has been completed with the funds state and local budgets. On the other hand Bappenas want to accelerate development by involving the private sector as an investor, in the form of PPP. Interests which differences National Development Planning Agency (Bappenas) and the Ministry of Transportation Marine Affairs. Bappenas want to run the program PPP in the port sector, on the other hand by the RI Department of Transportation Sea has been the inclusion of the State Budget (APBN) of \pm Rp.130 billion, wants menuntaskan Tanahampo Tourism port development without going through the PPP process.

3.4.1 Factors of Aspects of Procurement

Market assessment / Market soundings conducted by Bappenas at the Hotel Bali Beach Bali. Many investors are interested to invest in the form of PPP. Investor interest is to develop the area behind the port of ± 25 hectares. The port of arrival here is as generating cruise guests. Guests will cruse tourism mengabiskan to enjoy tourism in the region supporting land area of 25 ha. Private investors interested in participating in PPP in the hope they could manage the area behind the core zone of ± 25 acres. Region behind the core zone will be developed as a commercial area for guests who descend from a cruise ship. Layout plan Tanahampo Tourism Port development can be seen in Figure 1.

At the time of the tender process, is only the tender area of the terminal area of 25 ha excluding the area behind the port. This lowers the interest of investors to participate in the construction of the port PPP Tanahampo tourism. The first failure because no interested participants. The second failure there are potential winners of PT

Bakri. PT Bakri did not proceed because of the lack of clarity on land acquisition behind the harbor which is owned by the community of individuals and the Village People.

3.4.2 Factors of Legal Aspects

Conflicts also occur between Local Government and the Central Government. Based on the port authority, the Port of Tanahampo Tourism is a major port (Law No. 17, 2010) then all assets built LGs must diibahkan to the central government (Ministry of Transportation). Local Government objected to cede assets to the Department of Transportation to maintain the principle of regional autonomy (Law No. 32, 2004). This conflict is resolved by taking the middle ground; the central government is responsible for the safety of shipping and the District Government dikasi authority to manage the terminal that has been built by the provincial government of Bali.

3.4.3 Factors of Aspects Consortium

Factors aspect of the consortium, is unclear choose PPP models which will be implemented in collaboration. BOT government usually only provide the land and control based on existing regulations. Tourism Port Development Tanah Ampo most facilities already built by the government. Construction of facilities, which do not necessarily fit with the government's appetite private parties.

3.4.4 Factors of Social and Cultural Aspects

Social and cultural factors, the Development Tourism Port Tanahampo involve the local community as much as possible. Port development to local aspirations, where people ask for a percentage of the workforce is currently operational up to 30%, which is not necessarily the expertise.

Lack of public support with unclear status of public land and land is owned by the Village People Tanahampo. The local government has not been able to make an agreement on the land behind the port zone. The agreement will be made can be long-term contracts.

4. Conclusions

PPP in infrastructure development Tourism Port Tanah Ampo, failures caused by the following factors: (1) legal aspects; (2) consorsium aspects; and (3) socio-cultural aspects. So that the infrastructure development process is still running advised to reevaluate PPP models will be applied. Ministry of Transport of the Republic of Indonesia should continue the process of construction in accordance with those set out in Tanahampo Tourism Port Master Plan (IBP Adnyana and Acwin Dwijendra NK, 2012). The development process should engage the effective contribution of native society, especially to reach an agreement the use of the land area of 25 acres behind the harbor, to attract investors.

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