

# Chapter 1

## INTRODUCTION

### 1.1 Company Profile

Central Tapanuli Regency has four geographical borders. Nanggroe Aceh Darussalam Province on the north, South Tapanuli Regency on the south, North Tapanuli Regency on the east and Indian Ocean as the west area border. Central Tapanuli Regency covers areas of 6.194,98 km<sup>2</sup> which consist of 2.194,98 km<sup>2</sup> of land and 4.000,00 km<sup>2</sup> of water. Based on year 2000 census, the population of Central Tapanuli Regency is 244.679 lives. Central Tapanuli Regency climate are typical to North Sumatera climate. Drought season starts in January and ends around August where rainy season lasts from September to December. Average yearly rainfall is between 2000-3000mm with average temperature of 22-33° C.

Hydrology potential is important in supporting the development of its irrigation system, drinking water (sanitation), transportation as well as for other usages of water. Central Tapanuli Regency is influenced by four major river systems: Batang Toru, Tapus, Aek Sibundong and Sirahar. River upper course is sourced from the Bukit Barisan Mountains and empties into the West Coast. Generally the rivers are short streamed, steep and narrow thus it is hard to be used as transportation system. Parts of the river are used as power plant (hydromini) and for irrigation.



Figure 1.1 Satellite Photo of Mansalaar Island Topography  
Source: Google Earth, 2007

Mansalaar Island is located in Central Tapanuli Regency, North Sumatera. It is southwest of the port city of Sibolga. Its geographical position is 1.7° North Latitude and 98.5° East Longitude. Situated approximately 22.5 km southwest of Sibolga, Mansalaar Island can be reached from Medan by land to Central Tapanuli Regency, which takes approximately 8 hours, or by air to Dr. Ferdinand L. Tobing Airport in a quick 45-minute flight. From the airport, it is another 1-hour drive to the city of Pandan. Continuing from Pandan is a 45 minutes trip to the Mansalaar Island by speedboat.

Covering approximately 8,000 hectare or 80 square kilometers of land, the main Mansalaar Island and its isles are dominated by hills of tropical rainforest and white sandy beaches by clear blue seawater. Steep terrain contour of almost 30% in gradient and steep beaches are typical features of the island. The island's geographical location is well protected by the neighboring Nias Island, which also means that the Nias Island makes it well protected from the threat of high tidal wave and tsunami from the Indian Ocean. Its natural surroundings are still in excellent and undisturbed condition.

The topography consists of beaches, emplacements, agriculture, fishery, plantation/ forest/ bushes with variant fertility level. Its slope generally ranging from flat to steep as explained in detailed in the table below.

Table 1.1 Central Tapanuli Regency Areas Slope Level

Slope	Area (Ha)
0 – 2 %	79.087
2 – 15 %	9.658
15 – 40 %	58,100
40 % and above	72.663

Source: Central Tapanuli Regency's BAPPENAS, 2006

Central Tapanuli Regency average topography is classified as low to middle area where some of the areas are beaches and parts are areas with height more than 1000m above the sea level.

Table 1.2 Central Tapanuli Regency Areas Height Level

Height	Area (Ha)	%
0 – 7 m asl	22.93	10,45
7 – 25 m asl	38.623	17,60
25 – 100 m asl	38.533	17,55
100 – 500 m asl	95.352	43,44
500 – 1000 m asl	23.04	10,50
more than 1000 m asl	1.020	0,46
*asl = above sea level		

Source: Central Tapanuli Regency's BAPPENAS, 2006

Current demography of the island consists of maximum 30 families. These island occupants live along the beach areas. Most of them came from other islands such as Nias and the other nearby islands.

Mansalaar Island's steep hills dominate its terrain characteristic and rivers flow from these hills and become estuaries as they reach the ocean. The lowest and the highest altitude of Mansalaar Island are 1m and 450m above sea level, respectively. The island's tropical climate gives a yearly average temperature of 30° Celsius or 86° Fahrenheit. White sandy beaches and rocky cliffs outline the island. The isles that surround the main Mansalaar Island are atolls with white sand beaches.

Mansalaar Island also has other natural beauties, such as an approximately 30-meter high waterfall on the main island that falls directly to the sea and a 5-km-wide bay with white sandy beach that connects the Sibolga Sea with the Indian Ocean. The crystal clear seawater and gentle waves add up to Mansalaar Island's panoramic beauty. The Mansalaar Island and its surrounding isles will be developed by PT. Siluet Nyoman Nuarta.

The existence of PT. Siluet Nyoman Nuarta started as a company that provides working facilities for Nyoman Nuarta a sculptor to create his artworks. This facility has developed rapidly due to their working professionalism that clearly shows in their product quality, time efficiency and an effective management. The company started in 1976 under the name Studio Nyoman Nuarta, founded by the artist Nyoman Nuarta and in 2007 the new government regulations require the name change into PT. Siluet Nyoman Nuarta. Now the company has expanded its business scope from sculpture maker to culture and tourism consultant. The company has work together with many art, culture and tourism corporation around the globe.

### **1.1.1 Company history**

Mansalaar Island holds a vision to be the pioneer in the eco-tourism industry that combines art, culture and nature with a mission to improve regional income by developing an eco-tourism destination as one of the island's tourism product through a development of a new culture of environmental conscious by creating a unique concept

of Sculpture Island. The company is a conjunction work of private company that has been assigned by the local government to promote Sumatera's tourism.

Table 1.3 Foreign Visitor Statistics Entering Polonia International Airport, North Sumatera

Country	2000	2001	2002	2003	2004
<b>AMERICA</b>	<b>6,461</b>	<b>2,740</b>	<b>1,983</b>	<b>2,395</b>	<b>2,022</b>
- United States of America	3,107	1,939	1,392	1,576	1,404
- Canada	3,354	801	591	819	618
<b>E U R O P E</b>	<b>36,829</b>	<b>14,275</b>	<b>13,592</b>	<b>19,650</b>	<b>16,947</b>
- Austria	1,572	255	259	351	362
- Belgium	1,910	407	472	568	545
- Denmark	2,656	861	768	633	470
- France	1,656	1,272	1,019	1,992	1,298
- Germany	5,885	2,291	3,146	3,857	3,241
- Italy	3,523	344	360	357	395
- Netherlands	7,723	3,204	2,732	6,670	6,095
- Spain & Portugal	1,172	621	413	457	608
- Sweeden, Norway and Finland	2,426	835	832	839	639
- Switzerland	2,766	511	549	463	447
- United Kingdom	5,540	3,674	3,042	3,463	2,847
<b>ASEAN</b>	<b>83,942</b>	<b>48,261</b>	<b>85,737</b>	<b>70,985</b>	<b>83,990</b>
- Malaysia	55,166	42,232	76,626	62,129	75,417
- Singapore	26,840	5,121	4,232	7,290	6,734
- Philippine	222	241	5,708	343	352
- Thailand	1,322	1,644	2,037	2,025	1,804
- Brunei Darussalam	392	19	23	42	41
<b>ASIA PACIFIC</b>	<b>14,797</b>	<b>7,468</b>	<b>9,078</b>	<b>13,852</b>	<b>11,515</b>
- Australia	1,086	1,271	1,421	1,660	1,296
- China / Taiwan	7,947	2,804	4,232	7,290	6,734
- India	780	471	821	591	578
- Japan	3,502	1,644	2,037	2,025	1,804
- Korea	913	735	443	1,025	716
- New Zealand	83	282	0	972	203
- Pakistan, Bangladesh & Sri Lanka	486	261	124	289	184
<b>TOTAL</b>	<b>142,029</b>	<b>72,744</b>	<b>110,390</b>	<b>106,882</b>	<b>114,474</b>

Source: Central Tapanuli Regency's BAPPENAS, 2002

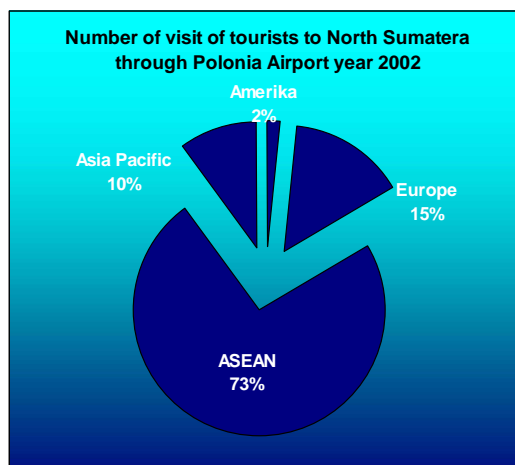


Diagram 1.1 Number of visit of tourist to North Sumatera through Polonia Airport year 2002  
Source: Central Tapanuli Regency's BAPPENAS, 2002

## **1.2 Business scope**

As the company motto “Explore not exploit” the development of eco-tourism in Mansalaar Island as the only make believe business that will be able to preserve the nature while at the same time gaining funding for the local government. The island will cater tourism products that suited the need of middle to high-end market. Products offer will be designed to suit the style and preference of each market segment including the niche high-end market. The main product offered as one of the anchor tourism product of Mansalaar Island is biodiversity park where visitors can enjoy while at the same time learn and understand more of the surrounding nature.

Economic analysis shows that a small number of eco-tourists could have a significant impact on the regional economy. Most of the benefits would accrue to local communities through better job opportunities and higher disposable incomes. The potentially negative impacts of eco-tourism will be minimized through consultation with local communities via the regular channels of PT. Siluet Nyoman Nuarta.

The role of the company in actual development of eco-tourism will be of a supporting and temporary nature. PT. Siluet Nyoman Nuarta could act as a guarantor of several eco-tourism programs. The company will use its position to reduce the financial risk of eco-tourism development. Revenues from ecotourism would not only benefit the company itself, but would also provide additional source of income to local communities living in areas adjacent to its concessions.

### **1.2.1 Definition of Ecotourism**

Ecotourism is a form of tourism with the practice of touring natural habitats in a manner meant to minimize ecological impact, which aims to be both ecologically and socially conscious and focuses on local culture and growth. Ecotourism becomes one of the most prevalent tourism products due to the high demand of specialized tourism product. Mass tourism product has shifted only to satisfy middle to low market, which does not supply the need of current market targeted by the developer.

Eco-tourism is a new, but rapidly growing market in Indonesia. The characteristics of eco-tourism are favorable to PT. Siluet Nyoman Nuarta. Like the company itself, eco-tourists are highly aware of the natural and cultural environment, and wish to minimize any negative impacts on it. Local communities could easily benefit from eco-tourism, which is a labor-intensive industry that does not require special skills. The market for eco-tourism will probably remain small, but appears to be highly profitable. The typical eco-tourist seeks a high-quality holiday and is prepared to pay for it.

Statistics show that the environmentally aware tourist spends more days on a trip, and spends more money per day, than the average tourist. Preliminary estimates show that a modest number of eco-tourists can have a significant impact on the local labor market and on regional domestic product. An inflow of 10 eco-tourists per week, during 40 weeks per year, would create several hundreds of jobs. The added value to the local economy would be about US\$ 0.4 million (or Rp 3.5 billion at an exchange rate of 8,500 Rp / US\$), most of which would accrue to local communities through better job opportunities and higher disposable incomes.

Table 1.4 Assumptions on Eco-tourism Spending\*

**Assumptions on Eco-tourism Spending**

Item	Assumption
Number of Eco-tourists per week	10
Number Tourism weeks per year	40
Average Duration per trip (days)	10 days
Average Expenditure per day	US\$ 200
Expenditure Received by Local Community	45%
Expenditure Received by P.T. Inhutani I	5%
Average Income per Year in Local Communities	US\$ 1,000

Source: BFMP (Berau Forest Management Project), 1999

\*Assuming that Mansalaar Island would have same trend as Berau, North Kalimantan and PT. Siluet Nyoman Nuarta acted as PT. Inhutani I.

Table 1.5 Average Daily Expenditure and Revenue (US\$ per day)\*

**Average Daily Expenditure and Revenue (US\$ per day)**

Category	Average Daily Expenditure		Average Daily Revenue	
	All Tourists	Eco-Tourists	Local Comm.	P.T. Inhutani I
Accommodation	41	50	20	0
Shopping, souvenirs	33	10	10	0
Food and drinks	25	20	15	0
Local transport	17	50	15	2
Entertainment	7	10	10	0
Sightseeing	4	20	20	2
Other	7	40	5	1
<b>TOTAL</b>	<b>134</b>	<b>200</b>	<b>95</b>	<b>5</b>

Sources: GOI, BFMP, 1999

\*Assuming that Mansalaar Island would have same trend as Berau, North Kalimantan and PT. Siluet Nyoman Nuarta acted as PT. Inhutani I. The island and its isles would attract 10 people per week who stay there for 10 days, this would infuse  $10 \times 50 \times 10 \times 100 = \text{US\$ } 500,000$  in the local economy.

### **1.2.2 Mansalaar Island's Ecotourism Background**

More tourists are becoming dissatisfied with the tourism products that are available in the market today because of their nature of being mass-produced and their homogeneity. People's growing awareness and cultural sensibility to the environment is one of the major factors that drive the growth of eco-tourism, as well as the awareness toward the fact that over-depletion of natural resources will only cause social and cultural imbalance in the tourism destinations.

The North Sumatera and the Central Tapanuli Regency in particular, are gifted with an impressive natural heritage, but have never attracted a significant number of eco-tourists. Poor accessibility, limited availability of tourist infrastructure, lack of investors and lack of co-operation from local communities are cited as the most important reasons for this poor track record. In order to develop eco-tourism in Central Tapanuli Regency, PT. Siluet Nyoman Nuarta needs a clear and concise marketing strategy that addresses these issues.

Tourism is insignificant in Central Tapanuli Regency. For travel agents and tour operators or even the national tourist "Central Tapanuli is not on the map". This, by itself, creates an insufficient reason for investors to ignore the area. The development of eco-tourism would be a powerful means to break through this fierce circle.

Table 1.6 below gives summary data on the most important eco-tourism sites in Indonesia. The existing sites for eco-tourism share certain characteristics:

- The number of visitors decreases with the distance of the site to the major international airports of Bali and Jakarta;
- Most sites have close working relationships with a recognized international conservancy (the WWF for Komodo Island, the UNESCO for Tana Toraja, etc.);
- The local communities living in and around the sites support and directly benefited from the eco-tourism industry;
- Most sites have a distinct symbol (the Komodo dragon, the rhinoceros of Ujung Kulon).

Table 1.6 Existing Eco-tourism Sites

**Existing Eco-tourism Sites**

Location	Connections to Int. Airport	Foreign Visitors	Type of Attraction	Symbol
Komodo Island	2 x week	30,000	Natural	Komodo dragon
Tana Toraja	2 x week	12,000	Cultural	Toraja house
Sumbawa	5 x week	5,000	Cultural	Horseriding
Ujung Kulon	Over land	75,000	Natural	Rhinoceros
Baliem Valley	2 x week	5,000	Cultural	-

Source: BFMP, 1999

Although specific data on eco-tourism are not available, analysts suspect that eco-tourists differ from average tourists in several important aspects. They are wealthy and quality-conscious: trip duration and daily expenditures are above the nation-wide average for foreign visitors. As children are generally not taken on trips to remote sites, eco-tourists tend to be single professionals or elderly couples. Eco-tourists are independent-minded, and do not like to travel in large groups.

Eco-tourism in Indonesia is dominated by foreign tourists. Indonesian travelers do not appear to be interested. It is not known from which foreign countries most eco-tourists originate, but it is possible to assess market potential for eco-tourism by country of residence.

Diagram 1.2 shows breakdown of Indonesia's ten most important tourism markets by average trip duration and proportion of visitors who travel independently. The diameter of the bubbles indicates the number of visitors of 55 years and older, used here as an indicator for the potential market for eco-tourism. Asian travelers are the largest markets, but they tend to have short holidays and prefer group tours, making them unsuitable as target markets for ecotourism. The most prospective markets are those of the UK, US, Germany. The Australians (limited travel beyond Bali), the French (group travel) and the Dutch (many elderly are 'colonial' tourists) are somewhere in between.

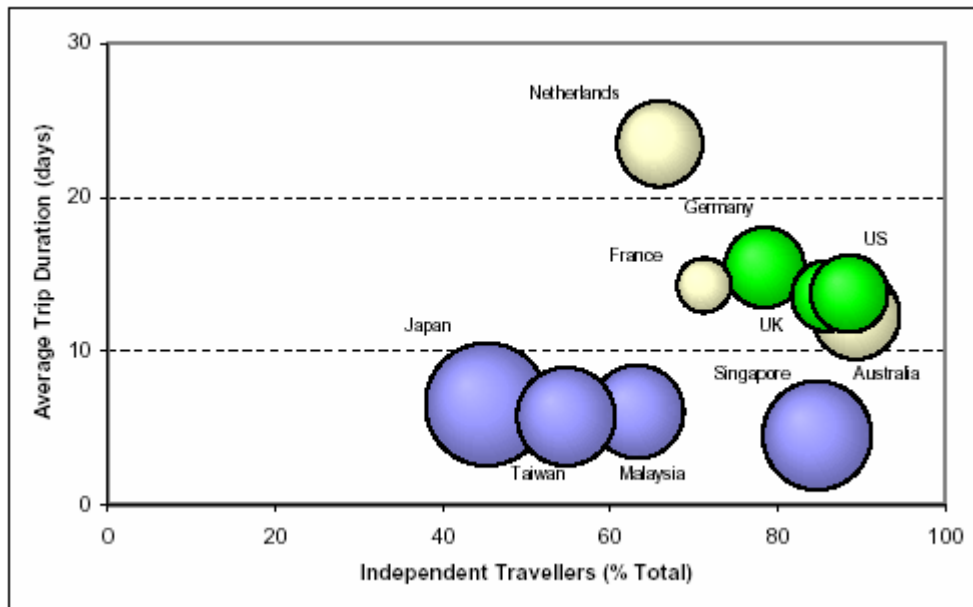


Diagram 1.2 Indonesia's 10 Most Important Tourist Market  
Source: GOI, BFMP, 1999

The Central Tapanuli Regency is rarely visited by tourists. There are not that many hotels, restaurants or other tourism facilities in the regency. To most people, the natural attractions in the Central Tapanuli Regency are less known, but could be of considerable interest to eco-tourists.

Table 1.7 Potential Attractions for Eco-tourism in the Mansalaar Island Area\*  
**Potential Attractions for Eco-tourism in the Berau Area**

Attraction	Distance from Tanjungredeb	Quality Assessment	Involvement of P.T. Inhutani I
Diving and snorkeling	10	Very good	No
Visiting local villages	20	Very good	Yes
Jungle trekking	35	Good	Yes
Game fishing	10	Good	No
Sailing and canoeing	15	Good	Yes
Caving and climbing	50	Moderate	No

Source: BFMP, 1999

\*Assuming that Mansalaar Island would have same trend as Berau, North Kalimantan and PT. Siluet Nyoman Nuarta acted as PT. Inhutani I.

Creating the right conditions for eco-tourism is necessary but, by itself, not sufficient to develop eco-tourism. Investments in promotion activities and tourism facilities are required to ensure that eco-tourists will actually visit the region. PT. Siluet Nyoman Nuarta as the initiator of eco-tourism development in the Central Tapanuli area is recommended to cooperate on a temporary basis, with parties who do have experience with tourism development.

P.T Siluet Nyoman Nuarta could consider hiring a free-lance consultant to prepare programs for arranging safari trips, jungle trekking, and amphibious airplane or boat trips. The cost of setting up such programs would be low. In the initial stage of eco-tourism development, the company would charge tour operators a daily rate 'at cost' for operating the programs. If eco-tourism turns out to be successful, the programs will be taken over by assigned tourism agencies.

Integration in the existing environment will only successful with full cooperation of the local communities. Many of the areas where P.T Siluet Nyoman Nuarta is active are among the least developed in Indonesia. Per capita income is often far below the provincial average. Unemployment and underemployment are high. Many local communities live on subsistence agriculture or as gatherer / hunter. It is felt that the public at large will be committed to eco-tourism, primarily because many inhabitants will be able to find better paid employment in their home region.

Although P.T Siluet Nyoman Nuarta would be the initiator of eco-tourism development in and around its concession areas, it would be logical to synchronize its strategy with that of the provincial governments. North and South Sulawesi have both been designated as provinces with a potential for tourism. It is necessary to improve supporting infrastructure and services in the planning area. The master plan will provide for the construction of: roads; walkways; water supply systems; solid waste collection; and human waste collection. P.T Siluet Nyoman Nuarta also considers building a marina and other facilities.

### **1.2.3 Benefits of Ecotourism in Mansalaar Island**

Ecotourism is hoped to give rise to people's understanding of and awareness to the environment and culture of the tourism destinations. It will promote positive experiences to tourists and local communities by working together in the conservation and preservation of the nature. The financial profit of the ecotourism will also benefit directly and indirectly to the conservation and preservation. In the end, as direct benefit of eco-tourism people's sensitivity and understanding toward social, environment, and political situations is expected to increase along with the growth of eco-tourism.

The indirect benefits of eco-tourism are likely to be higher than the direct benefits. Eco-tourists guests and will spend an estimated US\$ 200 per day. This will generate jobs, not only in tourism services such as restaurants, souvenir shops and food stores, but through second-order effects also in other economic sectors. People who find a better paid job because of the new development will spend most of their extra earnings in the locality (such as housing and consumer goods). This, in turn, also generates jobs.

#### **1.2.4 Advantages of Ecotourism in Mansalaar Island**

The ecotourism offered in the Mansalaar Island is directly tied to the island's natural conservation. It provides ways for tourists to appreciate nature more so that nature will always be well kept and preserved. All the ecotourism activity will take place in an environment that is green, tranquil, peaceful, and still untouched by outsiders. Adding to that is the clean beaches and the crystal-clear seawater.

Mansalaar Island, as the world's only Sculpture Island that is supported by both over- and underwater artworks and sculptures, will emphasize its role as the center of art that respect and appreciate nature and a new culture of environment awareness. Not only do the ecotourism activities on the Mansalaar Island depend solely on its natural and environment beauties, but they will also act as means of rising funds for the natural conservation and preservation in the island.

This is done in conjunction with the partnership and collaboration with both domestic and foreign environmental organizations. The financial benefit from the ecotourism will ultimately be used for the development of the island's local community in a timely manner.

Working relations with recognized conversation agencies is very important to make sure a successful eco-tourism program. PT. Siluet Nyoman Nuarta will work together with the Ford Foundation, GTZ, the European Union and so forth to promote eco-tourism programs in the Central Tapanuli Regency. It could use this network to create co-operation between the Central Tapanuli Regency's local government and an international conservancy to become involved in, say, a sustainable conservation and preservation management of the deteriorating ecosystems in the regency.

### **1.2.5 Target Market**

The Mansalaar Island and its surrounding isles are focusing on the middle to high end market. The project expects more out of the niche market that most of them these days enjoy eco-tourism vacation products more than any other kind tourism products. Africa for example has been focusing on the niche market from England. A night at the tree house without rooftop inside the Serengeti National Park could cost you about US\$2000. These niche markets will pay at any cost to enjoy the beauty of the undisturbed nature.

### **1.3 Issue encountered by unit of analysis**

As we previously discuss, the North Sumatera and the Central Tapanuli Regency in particular, are gifted with amazing nature yet hardly attracted tourists. Lack of investors, poor accessibility as well as limited availability of tourist infrastructure and lack of cooperation from local communities are cited as the most important reasons for this poor tourism development. These three main issues have become major issues encountered by unit of analysis. In order to develop eco-tourism in Central Tapanuli Regency, PT. Siluet Nyoman Nuarta needs create a conceptual framework to help in creating a marketing strategy that addresses and gives solutions to these issues. In this unit of analysis, the dependent variable of the issues encountered is bad entry access and social matters where both depend on the independent variable which in this case lacks of investors.

### **1.4 Research Methodology**

The research and gathering of information would serve to support findings in creating a suitable business development strategy custom made for the Mansalaar Island and its surrounding isles. Most of the sources found and used were on-line sources from the Internet. Other helpful sources were from books from prevalent authors that experienced in developing a pioneer and/or successful business. As there were not many print sources available, interviews and field survey were performed for data mining and development of the research.