Industry Analysis

2018 Asian Games: Post Event Challenges for Palembang

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Introduction

2018 mark a new milestone in Indonesian sporting history where it was the first time in history two cities hosted the Asian Games, in particular, Jakarta and Palembang. With a total of more than 40,000 active participants that include athletes, officials and referees, Olympic and Asian members, media, volunteer and casual workers, this 18th edition of the Asian Games promised to be the greatest sporting event organized by one of the emerging economies of the world, Indonesia.

Palembang, the ninth-largest city in Indonesia which is popularly known for the history of Srivijaya kingdom; expected this Asian Games will improve the standard of living for its people with improvements to the public facilities, more jobs in the sports and sub-industry, increase the profile of the city and most importantly uplifting the state economy. During the 16-day event, Palembang hosted approximately 10,000 participants that stayed in the purposely-built Jakabaring Sports Complex.

Jakabaring Sports Complex (JSC), the comprehensive sports facilities built within the city of Palembang, worth more than USD150 million. JSC was expanded after successfully hosted the 2011 South East Asian Games and 2014 ASEAN University Games. This complex comprised of 18 world-class sports venues. Besides, the sports village was able to accommodate more than 3,500 athletes, located within a walking distance from the sports venues. JSC offered six religious houses of worship, in a centralized location to promote harmony and tolerance in religion. Additionally, the USD750 million Palembang Light Rail Transit complemented the features of a world-class event venue for Palembang.

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As in the Olympic Games, Asian Games was intended to promote the spirit of unity and competitiveness to the 4.5 billion Asian community, the largest continent in the world by population. For Palembang, the 18th Asian Games will be the game changer to the quiet city of Palembang particularly to grow local businesses, attract foreign investment and improve the tourism industry. For instance, during the Asian Games, the hotel rooms were fully occupied while the room rate increased by two times from the peak season rates. The average length of stay was 13 days, almost covered the total duration of Asian Games. Chinese, Japanese and Koreans were the top three foreign visitors and spenders during the Asian Games. On average, foreign visitors spent approximately USD1,400 that brought a total of more than USD25 million direct impact spending by foreign tourists to Palembang. Domestic visitors, on the other hand, contributed more than USD7 million direct impact spending. For Indonesia, the most important aspect of hosting the Asian Game was the impact on the general economy where economists anticipated USD3 Billion will be generated as a result of Asian Games.

For the Palembang tourism industry, Asian Games will be the catalyst to expose the local culinary, historical landmark, and the cultural activities to the participants of Asian Games and also to foreign visitors. With an average of USD50 - 100 costs of the daily all-in tour package, Palembang offers an affordable getaway to foreign visitors. The legacy of the 18th Asian Games was evident all over the city of Palembang from the Airport and along the road leading to JSC where there were several landmarks built to commemorate the event. It is also the hope of the city council to promote Palembang as the sports tourism destination. The city council has outlined various plans to ensure the facilities built for the Asian Games will be fully utilized for sports tourism purposes. A higher academic institution specializes in tourism was stationed in JSC to kickstart the sustainability effort of the sports event venues.

However, there are many challenges to self-sustain JSC where lack of funding, grant, and support from the city council will be the utmost issue. Maintaining JSC required concerted efforts by the stakeholders. For instance, the cost of utility alone exceeded USD30,000 per month. On top of that, the cost of maintaining the machine, equipment, building, and landscape required regular disbursements. The leadership change after the conclusion of the Asian Games had seen the city council changed its priorities where public infrastructure and housing projects were emphasized for the nation-building process.

Another critical issue was the underutilization of the sports complex where only the football stadium was regularly used for the state football team that played in the national league. Other venues were not regularly used mainly because of the cost, size and logistic issues. For instance, Palembang International Airport has only two established international flights from Singapore and Kuala Lumpur, and in fact, most of the domestic traveling by air to Palembang required a stopover in Jakarta.

For the hotel industry, the highest average occupancy rate was recorded in 2018 with 88.6 percent occupancy and an average of 2.4 days’ length of stay. This statistic was highly contributed by the Asian Games. A year later, business back to normal where the average occupancy has dropped to 57.1 percent while the length of stay dropped to 1.4 days. This lower than 2017 that recorded an average occupancy of 60.2 percent and an average of 1.7 days’ length of stay.

Next, the major question faced by the city council was how to sustain the operation of Palembang Light Rail Transit. This mode of transportation has seen a massive drop in load factor after the conclusion of Asian Games. With a target of close to 100,000 daily ridership by 2030, the LRT has managed to get less than 5,000 ridership on the weekdays and less than 8,000 ridership on the weekends. Even the fees to use LRT was the lowest among the public transportation modes, local people preferred to commute daily using either own vehicle or e-hailing application. With the current ridership trend, it will be a huge challenge for LRT management to sustain the operation with monthly overhead expenses of more than USD700,000.

In a nutshell, sustainability was the major issue for the major sporting event host and Palembang is no exception. The sign of stagnation was evident throughout JSC. The event venue has seen a depreciation value accelerated at a higher rate. Several event venues were highly underutilizing and need major refurbishments merely one year after the event had concluded. There was also an unsuitable plan of turning the event venue into an art museum. This move was made to attract the youngsters in visiting the event venue for a photo-taking spot or famously termed as “Insta-location.” As it stands now, the JSC operator has mammoth tasks is not only maintaining the event venue but also attracting sporting events to be organized in JSC.
The plans must include relevant stakeholders to discuss their roles in ensuring JSC will be the catalyst for Palembang tourism. For instance, the national sporting body can encourage various sporting bodies in Indonesia to use JSC for training and organizing the sporting event. Besides, the academic institutions in Indonesia and South East Asia can play their role in collaborative research to understand the impact of sports tourism on the general economy. Apart from that, JSC can also utilize the buildings for e-game which has emerged as a profitable industry in the developed nations.