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INDONESIA: DEVELOPING A NEW BUSINESS MODEL FOR PUBLIC PRIVATE PARTNERSHIPS

Sigit Hadi Prayoga, Vice Chair, Smart Cities, TELKOM Indonesia, explored the key role that telcos can play in smart cities. He looked at how local government can secure sufficient budget and collaborate with partners including academics, business, community and government.

Smart city is now becoming a national strategy in most part of the world including emerging countries like Indonesia, where some cities have already announced their plans to become smarter. Indonesia comprises 17,000 islands and is the fourth most populous country in the world with 255 million people. The incumbent communication services provider, TELKOM Indonesia serves 157 mobile phone subscribers plus 15 million fixed line subscribers.

It is looking at how, as a telco, it can help local and central governments deploy smart city strategies; that is, to build cities that attract people and retain them for a long time, for example by providing efficient workplaces that are easy to commute to and from.

In TELKOM Indonesia's definition and the basis of its research, smart city is about helping a city to achieve its mission by using smart and intelligent solutions and technologies. These solutions and technologies play an important role in improving the efficiency and effectiveness of a city so that it can achieve its smarter mission.

Common and particular problems

Based on its extensive research, TELKOM found that every city apparently has its own unique problems, although at the same time, we found some cities share the same issues, such as congestion and flooding, and problems associated with street vendors and garbage – not to mention the problems in the education sector, healthcare, road infrastructure and public services.

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Other important factors that must to be considered in managing the city are People, Processes and Technology, all of which play very important roles in achieving the vision and mission of city mayors.

Therefore, smart city should become an approach and enabler used by many mayors and governors to build the kinds of cities their citizens expect. It should act as a guide for mayors and city administrations on how to deliver public services more effectively and efficiently, and in keeping with digital lifestyles of the future.

Assessing business models

Our comprehensive study to assess which new business models can be developed and implemented well for smart city was carried out successfully on the basis of two categories:

1. **Projects that can be funded by government's annual budget:**

   Model 1-A – the government has the on-going annual budget to finance the project
   Model 1-B – the government does not have enough budget to invest at once, but has budget in the longer term.

2. **Projects that cannot be funded by government's annual budget:**

   Model 2-A – the government does not have enough budget to finance the project, even in the longer term, but we can generate income from the services, and the service is feasible as a business
   Model 2-B – the government does not have enough budget to finance the project even in the longer term, and we cannot generate income from the services.

A new approach

Model-2B is obviously new and can be considered as a public-private partnership (PPP) business model in Indonesia – the government has no budget but can generate income.

It is an appropriate model to implement smart city in most Indonesian cities as they do not have enough budget to develop all the key components themselves. We also believe that this model could be appropriate for most developing countries.

"TELKOM invites cities to carry out tests [in Nusantara] and by early September 2016 had had 27 visits from local governments, helped by ZTE"

TELKOM Indonesia has built a SmartCity Living Lab in Nusantara to focus on helping cities solve their problems, customizing solutions from many technology owners and providing a bundled ICT solution, including network and devices. TELKOM invites cities to carry out tests here and by early September 2016 had had 27 visits from local governments, helped by ZTE.

The Lab's work could act as the basis for government officials' discussions with smart city experts and support collaboration in smart city areas like transportation, health, citizens, government and so on, as the basis for smart city strategy.