

# Proposing Management of the Semarang Old Town, the Public Partnership Approach

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## Abstract

The Semarang Old Town is one of the heritage sites in Semarang city. It is well-known as area which has big number of the old buildings. Those buildings have historical and architectural values. The uniqueness belongs to the Semarang's Old Town has attracted people come to Semarang for visiting the Old Town. However, the municipal government cannot manage the area as conservation and tourism site optimally. The PPP (Public Private Partnership) system is proposed for managing and developing the Old Town. Therefore, not only the building can be saved and conserved well, but also the potential belong to the Old Town can be developed properly.

**Keywords:** the Semarang Old Town, Public Private Partnership.

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The Semarang's Old Town has been stated by the Semarang Municipality as a historical area. There are many old buildings which have historical and architectural values. However, the Old Town is a large area with the big numbers of old buildings. This situation gives such a problem related to conservation and revitalization efforts. The government needs a lot of money for it. A notion that can be taken for managing the Old Town is PPP (public private partnership).

In general a partnership has a meaning as “*a relationship of two or more entities conducting business for mutual benefit*” (<http://www.investorwords.com/3609/partnership.html>). According Stratton, partnership is collaboration among business, non-profit organizations, and government in which risks, resources and skills are shared in projects that benefit each partner as well as the community (McQuaid, 2000).

The management of the Semarang Old Town as the historical site needs the partnership because the government has to provide many public services, and the services have to meet with the public interest, even though the building's owners have been already responsible to maintain their buildings. However the government cannot provide those services by itself; because of the limitation of the human resources and budget constrain factors. The government needs to make collaboration with the third sector in order to raise the quality of the services and reduce the budget deficit. The third sector is private party, non-governmental organization or local community.

If we look into the purpose of a partnership that is (McQuaid, 2000):

- to gain extra resources for an area, project or organization,
- to release synergy through collaboration and joining various types of resources, or
- to transform one or more of the partner organizations,

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- to improve effectiveness and efficiency implicitly,
- to attract additional resources into the area,
- to manipulate one of the partners to supporting the activities, or
- to overcome local position

We will identify that partnership positively is an attempt to create stability in the development, build local confidence and minimize risk for partners and potential partners. Therefore, it can be understood that partnership will be an important mechanism to build local capacity for action and control by the local community and the other actors.

In general the services that are provided by the government in the Semarang Municipal government are:

- public transport, solid waste, primary education, public health, water and drainage, public recreation, firefighting, parking, construction examine in the criteria under ;

They must apply the marketability criteria to determine the services. The components of the marketability criteria are:

- Potential for competition
- Characteristics of good or service
- Potential for cost recovery
- Public service obligations
- Environmental externalities

#### 1. The competition factor

Competition needs a careful design of a sector reform and private sector participation option that can introduce the potential for competition. For instance in water and sanitation provision there are four main kinds of competitive pressure which are possible:

- Direct competition in the supply of services, sometimes referred to as “competition in the market”.
- Competition for the right to supply water and sanitation services through concession or other contracts, often called “competition for the market”
- Competitive pressure deriving from markets for the capital with which new investments are financed
- Comparative or “yardstick” competition, in which the performance of suppliers in different cities is compared.

Competition term also refer to monopoly. Monopolies, whether public or private, often generate lower productive and less efficiency than competitive firms. Their output, service standard, and investment in capacity all tend to be lower than under competitive condition, while their prices tend to be higher. The government has to pay attention first of all to maximizing competitive pressure on the utility. Examples: for water, solid waste, public transport.

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2. The goods or the service that can be a potential partnership is public service that has economical value. For instance they are water supply, sanitation, solid waste services, construction, maintenance, public transportation, telecommunication, infrastructure, power supply, primary education, recreational facilities.
  
3. The potential for cost recovery is related to financial viability. There are some questions following if the private sector partner is expected to invest in rehabilitating the system or expanding coverage:
  - How will the system affect the tariff?
  - Will the current tariff cover costs after allowing for expected efficiency gains?
  - If the projected tariff exceeds what some households are willing to pay, can the government afford to subsidize these households?
  - If not, could investment programs that are more financially realistic be devised?

Example: water, public transport, telecommunication, road construction.

4. Public service obligation- if the market is not ready for prevent of the consumer exploitation; services are commonly consumed hence no way of charging of particular individual for it is street lighting.

Services which will tend to a monopoly due to the large capital investment required.

Example: parking, road construction, fire fighting

5. Environmental externalities

This is the impact of the provision of the service on the environment whether positive or negative. From the analysis air transport, waste management and water and sanitation have potential for partnership.

The Old Town has an essential role to persuade the economic and social developments of Semarang. Developing the Old Town gives more opportunity for generating the economic growth and improving the social condition, because the Old Town has some potential for the development of the urban tourism.

Table: the Semarang’s Old Town

<b>unbundling</b>	<b>key partners</b>	<b>role</b>	<b>skills</b>	<b>benefit of PPP</b>	<b>service arrangement</b>
water management	government and investor	fund, management expertise	technical expertise	well maintain infrastructure	license
Waste management	government and investor	fund, management expertise	technical expertise	well maintain infrastructure	license

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Public transport of the inner the town	private company	fund, management	efficiency	good services	license
Event organizer	private company	management	Business entertainment	profit making	lease
parking area	investor	fund, management expertise	efficiency	make the good traffic circulation	license
built up facilities	private company	fund	e-business	modern facilities, good services	lease
advertising space	private company consumer	fund	Business	marketing, profit making	license
Building maintenance service	private	efficiency	technical expertise	innovation, increase efficiency	license

The issues that will be faced by the government:

- BPK2L (the Old Town Management Agency) as an independent institution formed by the Semarang Mayor, which is in charge to the Old City management has to improve the performance in order to execute the conservation regulation.
- There will be institutional arrangement problems, because in the partnership there is new system applied and it will create a changes in the local government office operation
- Risk, which the service is not provided as part as require means. Sometimes the partner tends to more consider the commercial aspects of the conservation management.
- Unequal power among the partners makes it difficult to reach agreement. According Bennet and McCoshan (1993), the partnership between agents may be unequal as it may be more important for one partner than the other(s) or one partner can coerce or mandate the others (McQuid , 2000)
- Less socialization will create public skepticism. The public had opinion that if the partnership applied, they will get the costly services, and they think the new management will not provide the better system of urban heritage management.

Regarding the potential problem mentioned above, the government that represented by the BPK2L has to ensure that appropriate stakeholders are going to be involved. Their roles are clear and that if the disputes are arise, there will be a process for resolve them.

Success will depend upon how partnership are led, legitimized, resourced, managed and evaluated. These will vary according to local circumstances, the issues to be dealt with, the institutional framework and, of course, the partners themselves (McQuaid, 2000)

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