

# The Partnership Benefits in Low-cost Apartment Implementation Program in Surabaya Metropolitan Area

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*<sup>1</sup>Abstract-The low-cost apartment implementation program is one of the reliable solutions to reduce housing needs in East Java Province. Eventhough there were many problems facing the low cost apartmen program implementation, private sector is still highly expected to contribute in this program.*

*The objective of this research is to identify public private partnership benefits from stakeholder perception. The benefit variables to better understand the low-cost apartment implementation which obtained from literature review studies were then validated by 32 purposive sampling respondents from both government and private sectors. These variables were then identified and analyzed using statistical analysis.*

*The results show that the benefit factors from both government and private sector perception are better risk allocation and accelarate infrastructure development.*

**Index Terms-Benefit, Low-cost apartment, Public Private Partnership Surabaya Metropolitan Area.**

## INTRODUCTION

One of procurement and partnership method is Public Private Partnership which has been applied in a lot of infrastructure projects. PPP plays an important role in bringing private sector competition to public monopolies in infrastructure development and service provision, and in merging the resources of both public and private sectors to better serve the public needs that otherwise would not be met [1]. In Indonesia, PPP has been implemented in some infrastructure projects such as toll road, power plant, railway, water supply and sanitation [2]. Unfortunately, only a few private sector who are interested to participate by building partnership in housing project, especially in low-cost apartment development.

However, due to its advantages, PPP is still considered to be applied in infrastructure development. This partnership has benefits: PPP have developed in part due to financial shortages in the public sector and PPPs have demonstrated the ability to harness additional financial resources and operating efficiencies inherent to the private sector [3]. Eventhough there are some risks concerning PPP implementation in housing projects, the partnership in this fields is still possible to

be adopted more extensively. Certain critical conditions must be satisfied for the PPP model to succeed [4].

Some researches have studied about partnership benefits in some countries in infrastructure project for general. [5], who carried out a survey to investigate the attractive factors for adopting PPP in the UK, revealed that the top three attractive factors include "transfer of risk to private sector", "solving the problem of public sector budget constraints" and "non-recourse or limited recourse public funding". While [6] has identified the top three partnership benefits in Malaysia such as solve the problem of public sector budget restraint, provide an integrated solution and facilitate creative and innovative approaches.

Moreover, this paper is aimed to examine the partnership benefits in low-cost apartment implementation program in Surabaya Metropolitan Area, so that the factors are considered as factor attracting the use of PPP in low-cost apartment implementation program in Surabaya Metropolitan Area. The PPP implementation include three stages: land providing, construction and operational maintenance. In particular, there are two objectives of this present study. First, it aims to examine the importance of partnership benefits as perceived by the overall respondents. Second, the study intends to identify the differences in perception concerning the importance of the success factors between the public and private sectors.

## METHOD

The study adopted variables from the previous research concerning Public-Private Partnership (PPP) benefits with some reductions and adjustment to make it more realistic. The rationale for adopting similar benefit factors to those used in prior studies, particularly by [3], [5], [6], [7] and [8].

The survey was conducted to low-cost apartment manager (public and private sector) in Surabaya Metropolitan Area under the partnership agreement. There are 3 low-cost apartments with different scheme, namely Graha Asri (Private sector rents the land while Public sector builds and operates the building), Warugunung (Build Operate Transfer) and Siwalan Kerto (private sector operates the building) . In all, 32 completed questionnaires were returned out of the 32 distributed. Of these, 17 respondents came from public sector (Surabaya Municipality Government, East Java

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Province Government) and 15 from the private sector (investor, potential investor and management team).

The relative importance of the partnership benefit factors was analysed by means of Likert rating scale questions in the survey instrument. The scale were very important (5), important (4), moderate (3), unimportant (2) and very unimportant (1). Statistical analysis undertaken include reliability test and importance analysis. The cronbach alpha reliability for the factors is 0.773, which means the data collected for the partnership benefits are reliable.

## RESULT

The findings are presented in the following manner: (1) the overall results on the attractive factors, (2) the differences between the public and private sectors on the attractive factors. The rank is comprised and presented in the table 1 below.

**TABLE 1. RANK OF VARIABLES**

No	Benefit	Over all	Public sector	Private sector
1	The ability to harness additional financial resources and operating efficiencies inherent to the private sector	10	15	6
2	Better access to capital and reduced whole life costs	3	4	3
3	Generation of additional revenues	7	6	10
4	Benefit local economic development	4	5	4
5	Improved quality service	5	7	5
6	Acceleration of infrastructure provision	2	2	2
7	Faster implementation	11	12	7
8	Better risk allocation	1	1	1
9	Better incentives to perform	13	14	11
10	Enhanced public management	12	9	15
11	Increased understanding of parties	15	13	13
12	Improved design	8	8	9
13	Increased market share	14	11	14
14	Improved maintainability	6	3	12
15	Improved buildability	9	10	8

Better risk allocation is the first and important benefit based on overall, public and private perceptions. [5] and [6] mentioned that transfer of risk to private sector variable is the most attractive factor for PPP implementation. That is why, using proper risk sharing mechanism, both public and private sector might be able to manage some types of risk more effective which ultimately lead to a better quality of services provided, cost savings and the reduction of risks taken on by the government. While acceleration of infrastructure provision is the second benefit according to overall, public and private perceptions. The result is in line with [6] concerning PPP advantage to fasten delivery of public infrastructure, because the private sector is

perceived as being more innovative and efficient due to their competitive commercial environment.

Private sector found the advantage of PPP in public sector's budget reduction. This variable is placed in the third rank by overall and private sector's perception, and in the fourth rank by public sector's perception. [6] examined that PPP may solve the problem of public sector budget restraint and reduce government allocation to project development.

Based on the results shown in table 1, the findings indicate that there are significant differences in the perceptions of the public and private sectors except in the cases of two factors: (1) improved maintainability", the public sector respondents perceived it as being significantly more important than the private sector respondents. It is believed that the private sector management is more efficient and innovative than the public sector. (2) improved quality services, which private sector respondents considered to be attractive factor because PPP enables private sector to create consortium to provide high quality of service [8].

## CONCLUSION

The partnership benefits from both public and private sector are better risk allocation, acceleration of infrastructure provision and reduced whole life costs. While the significant benefit from the private sector's view is improved quality service. The variable "improved maintainability" is perceived by the public sector.

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