

Green City

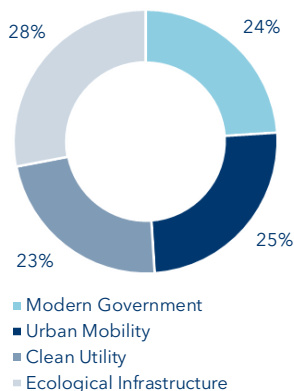
Theme facet 1: Modern government

FOR TOO LONG, URBAN DEVELOPMENT HAS KEYED ON OPTIMISING THE FLOW OF TRAFFIC AND CREATING RESIDENTIAL AREAS. HOWEVER, THE ECONOMIC CLOUD OF CERTAIN METROPOLISES IS INCREASING TO THE EXTENT THAT IT HAS BECOME A PIVOTAL FACTOR FOR THE ENTIRE NATION. A RE-EVALUATION OF THE MATTER, AND THIS WITH A CLEAR FOCUS ON THE CHANGING ECONOMIC AND SOCIAL RESPONSIBILITY ASPECTS, IS EMERGING.

By taking advantage of digitalisation and so-called "smart-city applications", many metropolises are already on the path to modern urban management. Mobile communication infrastructure and urban mobility have received a great deal of attention so far. However, being smart is not just a matter of improving the amenities at the disposal of residents or latching on to the latest technological trends. Rather, the benefits of digitisation must be available to the entire population and serve the needs of the citizenry and local industry.

City administrators have become aware of this, as reflected in the direction Smart City projects are taking these days: the efforts are currently distributed almost equally across four priority areas (basis: 900 projects in 400 cities, see diagram). The term "modern government" covers not only the tasks of local civil authorities, but also security, healthcare (incl. medical centres and hospitals) and education facilities.

Smart City project orientation



Sources: VP Bank, IHS Markit

Making a city fit for the future takes many years, but social and technological developments are already triggering a change in urban administrators' thinking. Today more than ever, forward-looking, modern urban planning is decisive for a large city's economic attractiveness and quality of life. To employ dedicated specialists, being responsible for technology and sustainability is a consequence. Cities like Amsterdam, New York, Tokyo and Copenhagen established competence centres of this nature quite some time ago. They are headed by so-called Chief Technology

Officers (CTOs), i.e. people responsible for planning a holistic, vertically integrative digitalisation strategy. Vertically integrative in this regard means that applications must be digitalised in their entirety, for example, from the family doctor, to nursing homes, through to health insurance providers. It also extends to public utilities and security, as well as to the areas of education and general health. In 2014, Singapore introduced a "Centre for Innovative Cities" chair at its university, with the objective of providing urban planning impulses for this city-state.

More than 70% of 1300 Smart City projects examined by market research firm IHS Markit are financed in partnership with private entities. Hence, the latter must have sufficient knowledge of the complexities involved in urban planning. Amazon Web Service (AWS), the tech division of online retailer Amazon, has actually hired four former Technology Heads of major US cities. Their "insider knowledge" of administrative procedures, urban planning and the decision-making processes involved in the award of local government contracts is of enormous importance. Tyler Technologies, for example, was able this way to become a leading partner for US cities and broader urban regions. Its expertise covers all facets of the public sector, including even service offerings for courts and public safety authorities. Since 2002, the company has recorded an average annual 20% increase in its after-tax profit and, on balance, an annual increase in revenue of 13%. Those growth rates have been rising sharply since 2015. Education, healthcare, online commerce, as well as digital security are all important issues when it comes to urban management. These aspects are pivotal for the digital transformation phenomenon, which is why we have devoted separate studies to them within the scope of that particular investment theme (see text box).

Series: "Digital Transformation"

The future is smart and networked. Digitalisation is changing our own lives as well as the business models of companies. The series "Digital Transformation - The path to the future" zeros-in on five drivers to explain how digitalisation is totally revamping earlier business models and how investors can participate in this (r)evolution. Read more at:

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Opportunities from sustainable urbanisation

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