

From private to public water supply: A just transition

CHANGING THE WAY WATER IS SUPPLIED TO SERVE JAKARTA'S PEOPLE

JAKARTA DATES BACK TO THE 14TH CENTURY AND IS ONE OF THE WORLD'S BUSIEST AND MOST CROWDED CITIES. HOME TO 11 MILLION RESIDENTS, THIS REPRESENTS ABOUT 4% OF INDONESIA'S VAST POPULATION OF OVER 275 MILLION PEOPLE. FOR DECADES, MANY JAKARTA'S HAVE BEEN STRUGGLING WITH READY ACCESS TO CLEAN DRINKING WATER. THIS IS SET TO CHANGE.

Having celebrated its 101st birthday on 23 December 2023, the water utility company PAM JAYA has historically been responsible for distributing clean water to Jakarta's residents and operates over 900,000 connections. 25 years ago, under then-president Suharto's leadership in 1998, PAM JAYA signed a policy of cooperation with the private sector. It consisted of concessions with two private sector water companies who were made responsible for ensuring the raw water supply, cleaning the pipe network and customer service. During this 25-year arrangement PAM JAYA acted as a supervisory body and paid a 'water charge' to the private operators to supply water to the residents, while customers paid 'water tariffs'.

THE END OF THE PRIVATIZATION CHAPTER

Jakarta's water supply story has been changing since the Supreme Court ruled that the terms of the privatization of Jakarta's water violated the "common right to water" for its residents. When the private contract came to its 25-year end in February 2023, as a result, all assets and activities of the two private sector water companies formally integrated into PAM JAYA, marking the beginning of a new water supply chapter.

Raj Kannan, partner, Energy, Resources & Industrial Leader, Deloitte Southeast Asia says that President Joko Widodo has clearly

emphasized several important agendas that must be prioritized, including water conservation efforts; availability of clean water and sanitation; food and energy security; as well as mitigation of natural disasters such as floods and droughts. All of this will be made possible by continually improving water infrastructure in order to provide better for residents.

"We worked closely with PAM JAYA for some time to ensure that operations would run seamlessly from the first day of the integration (Day 1) and beyond. The initial objective was to minimize any service turbulence, followed by making service improvements in future," Raj says.

DAY ONE SUCCESS: THE STORY BEHIND A SUCCESSFUL HANDOVER

Ivo Jaap van de Griend, Director, Energy, Resources & Industrials for Deloitte Consulting Southeast Asia, who has been integrally involved in this project, explains that 65% of Jakarta's residents are serviced by piped drinking water, with the remaining households using groundwater, surface water or buying from local vendors. "The government wants to achieve 100% coverage with piped drinking water by 2030 in an effort to provide water sovereignty for all Jakarta residents, without exception. To deliver on its big 100% coverage ambition, PAM JAYA needs to supply an additional 11,150 liters (2,945 gallons) of water

per second, requiring another 4,000 kilometers (2,485 miles) of pipes. This promises to have a significant positive knock-on effect on the environment by preventing flooding, as well as on public health," says Ivo.

As well as improving and increasing the supply of safe water in the coming seven years, PAM JAYA will also be focused on providing customer service to hundreds of thousands of people, including all aspects of sales, service, complaints and distribution.

This is a notable change and has required a change in mindset. Starting work in late September 2022, the combined team of Deloitte and PAM JAYA had less than four months to tackle the challenge of a successful transition.

Ivo says, "We were honored and proud to be integrally involved in helping PAM JAYA get ready for Day 1. It was a once-in-a-lifetime project for the entire team, involving developing comprehensive integration workplans for water distribution, finance systems, operations, employee and HR systems, processes and contracts, technology platforms and supplier relationships."

It has been a mammoth, complex and rewarding task for everyone involved. Day one went better than expected, in part thanks to very thorough preparations including a ten-day, full operational dress rehearsal at 120 locations,

along with site inspections with stakeholders prior to PAM JAYA taking over.

INSIGHTS INTO A SMOOTH TRANSITION

Ivo's advice to anyone planning a similar private to public transition, and navigating the varied complexities associated with this, has been narrowed down to three main pieces of advice.

"Our focus was on identifying and mitigating any risks across the whole gamut of operations – in this case, this included thoroughly reviewing the original partnership agreement and identifying any sticking points; carefully identifying and managing stakeholder and customer expectations before, during and after the transition; and taking a 'one team' mindset across the entire combined team responsible for ultimate success," he says.

And all the preparation paid off: the Day one transition was well managed and gave the new PAM JAYA team the foundations it required to set itself up for day-to-day success.

BEYOND DAY ONE: A KEEN FOCUS ON CUSTOMER SERVICE

Arief Nasrudin, President Director of PAM JAYA, shared his perspectives of the historic transition from private to public sector water supply.

"This has been a really challenging

time for the city, its residents and our teams. It has been important to manage all our stakeholder expectations, not just in the build up to day one, but well beyond. For day one, I was closely focused on 5M readiness: readiness of human resources (man), readiness of materials and work tools (materials), readiness of systems and applications (machine), readiness for operations and services (method), and readiness of the budget (money).

"Since then, PAM JAYA has been focused on tackling three challenges: firstly, the day-to-day art of managing our own operations and processes. Secondly, as a state-owned company, we have needed to simplify our finance operations to ensure we can work smoothly with all our suppliers. Lastly, we have been given the technical responsibilities of maintaining our own equipment – including treatment plants, pipes and valves – for the first time in 25 years. All of us have had to learn very quickly!" says Pak Arief.



Pak Arief giving a speech. (Image: ANTARA/HO-PAM JAYA)

Minimizing turbulence has been Pak Arief's daily mantra, and this is much easier said than done.

"In the last few months, we've been operating relatively well. I am proud of our team, who have all stepped up and are really pleased to be developing their skills and careers at PAM JAYA. Together, we're working really hard on maintaining our customer service, especially for those customers who are dealing with leaking pipes. To ensure we continue to modernize our pipes, we recently integrated our East and West operations into one system to further unite our team and operations," says Pak Arief.

SHORT-TERM PILOTS TO INFORM LONG-TERM TRANSFORMATION

There is no doubt that Jakarta's water supply system faces high leakage rates. Accurate diagnoses have been vital to identifying where improvements need to be made most urgently.

Pak Arief explains. "We have been able to identify all the ages of our pipes, which range from zero to 100 years in age. This is a reality we face. The question is, how do you best fix the pipes that need to be replaced and fixed? And before we can do that successfully, we need to obtain permissions to do so and follow a process with provincial and federal governments. All of this takes time, and during this time, the leaks continue to flow. With 46% leakage, this costs us 2.5 trillion rupiah per year."

"Although I can buy water allocations from neighbouring villages while we fix our pipes,

those residents will then have less allocations, creating a new problem. Instead, we're focused on 'quick wins' – we have identified six small areas in Jakarta that require over 300 kilometers (186 miles) of new water pipes. This involves identifying the land, jacking, disrupting traffic flows in and around Jakarta, and allowing our teams to get in to each area to do the repair and replacement work. While the work is going on, local communities live in a chaotic state. But by taking this pilot approach we can learn, identify our handicaps and obstacles, figure out the best way to engage with the local communities so they understand what's happening and when ... and 'copy and paste' our approach to the remaining 200 local areas and ensure all future investments align with providing the most value to Jakarta's residents," says Pak Arief.

Already, Pak Arief has seen that local face-to-face community engagement is key to success. PAM JAYA leaders and teams have been hosting briefings, staging socializations to explain intentions and improvements, answering questions about water supply and explaining what work is required to replace and modernize the pipes.

ONE DAY AT A TIME

Pak Arief says it is hard to describe the detail of what has been required to change the culture, and the organization model, from private to government. One thing is for sure,

Pak Arief concludes: "The insights we're gaining from the six areas we just fixed will help us tackle over 12,000 kilometers (7,456 miles) of Jakarta's water pipes, 40% of which are 50 years or older. We have a clear plan to continually improve our water supply for Jakarta's residents and I am confident that we will continue to go from strength to strength, one day at a time."



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Indonesian family. (Image: Getty Images)