



The eve of de-privatization in Jakarta series 4

The Reliable Performance of Public Water Services

The main purpose of privatization of water services in Jakarta, as stated in the title of the cooperation agreement with the private operators, was to improve water services. Private operators were given the exclusive right to deliver water services based on the expectations that they had the expertise, funds, and other resources to significantly improve water services. However, after more than 15 years of privatization, Jakarta’s water services are still far from satisfactory.

The private operators keep failing to meet performance targets, including key ones such as service coverage ratio and leakage level. Families complain about tap water outages that can last for days. The low service coverage ratio forces a lot of people who do not receive water services to buy water from vendors at much higher price.

In sharp contrast to Jakarta’s water services, a number of water utilities in Indonesia that are publicly owned and managed have a far better performance. When it comes to water services, time and again public management has proven more efficient than private services.

Water services in cities such as Surabaya, Palembang, Banjarmasin, Medan, and Malang, which are fully managed by the public sector, show good performance and lower water tariffs.

The closest comparison to Jakarta is Surabaya. Surabaya is the second largest city in Indonesia, with characteristics quite similar to Jakarta: dense population, high economic activity, and wide service coverage area, which means the demand for clean water is high. However, while Jakarta’s service coverage is only 46%, Surabaya’s water utility has reached twice

Table 1: Comparison of water utilities’ performance in several cities of Indonesia

	Water Utilities	Average water tariff	Leakage Level (%)	Service Coverage (%)
1	Surabaya	2.800	34	87
2	Palembang	3.800	30	93
3	Banjarmasin	4.120	26	Nearly 100
4	Medan	2.300	27	69
5	Malang	4.000	30	84
6	Jakarta	7.800	45	46

this rate (87 per cent). After 15 years, private water services in Jakarta still reach less than half of the population.

In 2013, the Indonesian Water Supply Association (Perpamsi)¹ named Surabaya's water utility the best water utility in the "over 200,000 connections" category, which is also the category for private water operators in Jakarta.

With such good performance, average water tariffs in Surabaya are only Rp2,800/m³, much lower than Jakarta's (Rp7,800/m³ in 2014). This difference cannot be explained by living costs because they only differ in 20%.² Even with such high tariffs, Jakarta's water utility suffers from chronic financial shortfall (Rp610 billion, or approximately US\$48.9 million, in 2011), which will continue to increase as the private operators continue to request a higher water charge.

In terms of service coverage ratio, Banjarmasin's public water utility is far superior to other water utilities as it reaches nearly 100 per cent. In addition, its leakage level is only 26 per cent. The leakage level does not only affect the quantity of water, but also impacts on the efficiency of production. The lower the leakage level is, the more efficient the water utility is.

In Jakarta, the private water operators keep proposing a target reduction in the leakage level, which in 2013 was as high as 38.68 per cent; yet they continuously fail to meet it.³

Overall, Table 1 shows that in comparison with five public water utilities, the performance of the privatized Jakarta water utility is worse. Jakarta's water utility has the lowest service coverage ratio and the highest leakage level. With such poor performance, Jakarta still applies the highest water tariff, by far.

This is concrete evidence that the management of public water services can be far superior to that of private management. Poor performance coupled with high tariffs characterize services delivered by the private sector.⁴ Private operators are inherently profit-oriented. It is not surprising that they prioritize profit over providing a good service for the public.

The data in Table 1 reflects a simple fact: privatization has failed, and public water services in Indonesia have proven better than private management. There is no reason for Jakarta to defend its privatized water services.

Endnotes

1 http://perpamsi.or.id/news_detail.php?id=714

2 <http://www.beritasatu.com/makro/158457-biaya-hidup-di-jakarta-rp-75-jutabulan.html>

3 <http://www.jpnn.com/read/2013/12/30/208221/Hampir-40-Ribu-Warga-Jakarta-Keluhkan-Air-Mati->

4 <http://www.foodandwaterwatch.org/water/private-vs-public/facts-and-figures/>