

## Effect of public private partnership on PAM Jaya's ability to pay debts: case study PT PAM Lyonnaise Jaya (PALYJA)

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### Abstrak

As a prerequisite for life, every human being needs clean water. The more populated an area is, the more volume of water needed. Jakarta as a metropolitan city and the most populated area of Indonesia also face the same condition: its 12 million population needs kilotons of water daily. Therefore, the need for an established reliable and integrated clean water service in Jakarta is getting more and more important.

Since decades ago, PAM Jaya has been the only municipal waterworks that operates in Jakarta. Yet, due to heavily indebted financial condition, it is impossible for PAM Jaya to improve much of its service. Therefore, PAM Jaya then partnered with two world's giant in waterworks service, one of them is PALYJA. With helps from its partners, PAM Jaya's service is increasing gradually.

However, some public considered the partnership only profit the partners, because after 7 years of the agreement, PAM Jaya is then burdened with new debts due to imbalanced proportion between the cost of water and the price. After many renegotiations took place, the agreement was then revised to a condition that PAM Jaya will not suffer losses, unless major changes in the business environment take place.

The question arose is then asking when PAM Jaya, after being bound with the agreement, will be able to pay all the debts. In other word, when will PAM Jaya be free from its current indebted situation? Answering this, some projection has been made trying to foresee the future condition. The latest official projection stated that all the debts that PAM Jaya bear, either existing debts to the Ministry of Finance or the later operational debts to the partner would be paid by the year 2009. This implies that starting from 2010 PAM Jaya will continuously be a very profitable company.

Further question to ask is then whether the profit earned by PAM Jaya is at the cost of Jakarta citizen's interest, i.e. by charging an expensive price to its customers, or can it act like a truly public service company by keeping the water price low and affordable to everybody in Jakarta, while maintaining its profitability.