



## The sale of Palyja and Aetra, The two companies that supply drinking water in Jakarta

*For PSI - by Vera Weghmann, April 2018*

### **Summary:**

Since 1997, the supply of drinking water in Jakarta has been entrusted to two private operators — PT PAM Lyonnaise Jaya (Palyja) and PT Aetra Air Jakarta (Aetra). Palyja, whose majority of shares are owned by the French company Suez Environment, manages the water distribution in the West and South of Central Jakarta, while Aetra, owned to 95% by Singapore-based Acuatico, handles the Eastern and Northern parts of Central Jakarta.

SUEZ sold all its shares in Palyja on the 14<sup>th</sup> of September 2017 to Cantonment Investments Limited and Belle Peau PTE Ltd for \$23 million (€ 19.6 million). SUEZ had 51% of the shares in Palyja. The other 49% of Palyja were owned by Astratel, a subsidiary of PT Astra International Tbk, together with Citigroup. They also sold the entire 49% of their shares in Palyja to an Indonesian company called PT Mulia Semesta Abadi in September 2017.

Previously, in June 2017, the Singaporean based company Acuatico, which held 95% of PT Aetra Air Jakarta sold their shares to Moya Indonesia Holdings for \$92.87 million. Additionally, Moya Indonesia Holdings paid Acuatico's debt of \$152.31 million. Moya Indonesia Holdings, is a water company owned by Indonesian conglomerate Salim. Salim was also the original partner for the French firm Suez that first held one of two water contracts for the city.

### **Short history of water privatisation in Jakarta:**

The World Bank initiated the privatisation of water services in Jakarta in 1991.<sup>i</sup> In 1997, two private operators, namely PT PAM Lyonnaise Jaya (Palyja) and PT Aetra Air Jakarta (Aetra), won the contracts to supply drinking water in Jakarta for 25 years. The companies started operating in 1998 and consequently the contract expires in 2023.<sup>ii</sup> Palyja, whose majority of shares are owned by France-based Suez Environment, manages the water distribution in the West and South of Central Jakarta, while Aetra, owned by Singapore-based Acuatico, handles the Eastern and Northern parts of Central Jakarta.<sup>iii</sup>

The Jakarta Water Supply Regulatory Body predicted in 2004 that privatisation would provide 100% coverage of water supply by 2017.<sup>iv</sup> However, coverage has not improved much since the private firms began their operations. Jakarta-owned water operator PT PAM Jaya claims that clean water supply now covers 60 percent of the capital, but the Amrta Institute for Water Literacy, an independent research organization, has a far smaller figure: 35 percent.<sup>v</sup> Moreover, water prices rose significantly. Between 2013 and 2015 alone water rates rose by 40%.<sup>vi</sup>

Civil society groups have for decades demanded improvement and asked for the water management to be returned to PAM Jaya as a public company. In November 2012 a legal battle began when the Coalition of Jakarta Residents Opposing Water Privatization (KMMSAJ) filed a class action lawsuit to annul the 1997 contract with the two companies on the basis that the partnership had failed to serve the people in the city. In March 2015 the Central Jakarta District Court approved the lawsuit. But nearly two years later, in February 2016, the companies won an appeal at the Jakarta High Court. A year after that the Supreme Court annulled the 2016 appeal.<sup>vii</sup> However, while the Indonesian Supreme Court ordered termination of

water privatization and restoration of public management to ensure human right to water,<sup>viii</sup> it hasn't issued a clear order to cancel the agreement. As such, it is questionable whether a complete remunicipalisation can be achieved before the contract expires in 2023.<sup>ix</sup>

### **The sale of Palyja and Aetra:**

SUEZ sold all its shares in Palyja on the 14<sup>th</sup> of September 2017 to Cantonment Investments Limited and Belle Peau PTE Ltd for \$23 million (€ 19.6 million). Suez also states that it made a €10.2 million gain on disposal from this transaction.<sup>x</sup> SUEZ had 51% of the shares in Palyja.<sup>xi</sup>

Cantonment Investments Limited is a company registered in Singapore.<sup>xii</sup> In 2008 was registered as a subsidiary of the Singaporean company Hiap Hoe.<sup>xiii</sup> But it deregistered as a subsidiary in 2015.<sup>xiv</sup>

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Astratel and Citigroup had been planning to release 49% of their shares in Palyja before. However, Astratel's plan to sell its shares to a city-owned enterprise (BUMD) of Jakarta Provincial Government, PT Jakarta Propertindo (Jakpro), failed in 2015.<sup>xvi</sup>

Previously, in June 2017 the Singaporean based company Acuatico, which held 95% of PT Aetra Air Jakarta sold their shares to Moya Indonesia Holdings for \$92.87 million. Moya Indonesia Holdings also paid Actuatico's debt of \$152.31 million.<sup>xvii xviii</sup> Moya Indonesia Holdings is a water company owned by the Indonesian conglomerate Salim. Salim was also the original partner for the French firm Suez that first held one of two water contracts for the city.

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<sup>i</sup> **The Conversation (8 February 2018) Jakarta's plan to get more public power in water sector might not work well. Available at:** <https://theconversation.com/jakartas-plan-to-get-more-public-power-in-water-sector-might-not-work-well-89320>

<sup>ii</sup> **The conversation (8 February 2018) Jakarta's plan to get more public power in water sector might not work well. Available at:** <https://theconversation.com/jakartas-plan-to-get-more-public-power-in-water-sector-might-not-work-well-89320>

<sup>iii</sup> The Jakarta Post (16 April 2018) Half-hearted water privatization. Available at: <http://www.thejakartapost.com/news/2018/04/16/half-hearted-water-privatization.html>

<sup>iv</sup> **The conversation (8 February 2018) Jakarta's plan to get more public power in water sector might not work well. Available at:** <https://theconversation.com/jakartas-plan-to-get-more-public-power-in-water-sector-might-not-work-well-89320>

<sup>v</sup> The Jakarta Post (16 April 2018) Half-hearted water privatization. Available at: <http://www.thejakartapost.com/news/2018/04/16/half-hearted-water-privatization.html>

<sup>vi</sup> Vice (17 October 2017) Just Regained Control of Its Water Network. Now What? Available at: [https://www.vice.com/en\\_id/article/3ka379/jakarta-just-regained-control-of-its-water-network-now-what](https://www.vice.com/en_id/article/3ka379/jakarta-just-regained-control-of-its-water-network-now-what)

<sup>vii</sup> The Jakarta Post (12 April 2018) What you need to know about Jakarta's water privatization. Available at: <http://www.thejakartapost.com/news/2018/04/12/what-you-need-to-know-about-jakartas-water-privatization.html>

<sup>viii</sup> TNI (17 October 2017) Indonesian Supreme Court Terminates Water Privatization. Available at: <https://www.tni.org/en/article/indonesian-supreme-court-terminates-water-privatization>

<sup>ix</sup> **The conversation (8 February 2018) Jakarta's plan to get more public power in water sector might not work well. Available at:** <https://theconversation.com/jakartas-plan-to-get-more-public-power-in-water-sector-might-not-work-well-89320>

<sup>x</sup> SUEZ (1 March 2018) Consolidated Financial Statement of Suez for the Fiscal Years Ended December 31, 2017 and 2016. P. 29.

<sup>xi</sup> Katadata (11 October 2017) Jual Saham Palyja, Astratel dan Suez Lepas Bisnis Air di Jakarta. Available at: <https://katadata.co.id/berita/2017/10/11/jual-saham-palyja-astratel-dan-suez-lepas-bisnis-air-di-jakarta>

<sup>xii</sup> <https://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapId=47192541>

<sup>xiii</sup> Hiap Hoe (29 July 2008) Incorporation of Cantonment Development Pte. Ltd. Available at: <https://www.hiaphoe.com/incorporation-cantonment-development-pte-ltd>

<sup>xiv</sup> Hiap Hoe Limited Annual Report 2015. P. 86. Available at: [https://www.hiaphoe.com/sites/default/files/Hiap%20Hoe%20AR2015%20FA%20\(3\)\\_1.pdf](https://www.hiaphoe.com/sites/default/files/Hiap%20Hoe%20AR2015%20FA%20(3)_1.pdf)

<sup>xv</sup> Katada (11 October 2017) Jual Saham Palyja, Astrael dan Sues Lepas Bisnis Air di Jakarta. Available at: <https://katadata.co.id/berita/2017/10/11/jual-saham-palyja-astratel-dan-suez-lepas-bisnis-air-di-jakarta>

<sup>xvi</sup> Katada (11 October 2017) Jual Saham Palyja, Astrael dan Sues Lepas Bisnis Air di Jakarta. Available at: <https://katadata.co.id/berita/2017/10/11/jual-saham-palyja-astratel-dan-suez-lepas-bisnis-air-di-jakarta>

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<sup>xvii</sup> The Jakarta Post (31 August 2017) Salim Group acquires Aetra Air, Jakarta tap water operator. Available at:  
<http://www.thejakartapost.com/news/2017/08/31/salim-group-acquires-aetra-air-jakarta-tap-water-operator.html>

<sup>xviii</sup> The Australian (13 October 2017) Fears new Jakarta rulers will go to water Available at:  
<https://www.nexis.com/docview/getDocForCuiReq?Ini=5PPC-JN91-JD3N-50C8&csi=8399&oc=00240&perma=true>