

Headline	Moving towards a water-secure future		
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## UTILITIES

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IF you didn't realise how crucial water is to the economy, consider this: a large multinational company (MNC) in an industrial park in Malaysia, which only recently began installing its facilities, is aghast that it is not being allocated with the sufficient cubic meters of water it needs to run its operations.

The state it is operating in just doesn't have enough water for it. Of course, there is more to the story in the sense that the government department that hand-held this foreign investor into the country did not inform the MNC of this potential problem, sources say.

The MNC is clearly disgruntled and may end up pulling out its billion-dollar investment in Malaysia or at least from that state.

That gives an insight into the poor state of water supply in Malaysia.

The treatment of water and its supply is left largely in the hands of state governments who then get to decide which contractors to hire and which companies to be given jobs for the water infrastructure.

However, state governments do not have the authority to approve increases in water tariffs, as this needs to be brought to the ministerial level.

What is also appalling is that some state water companies are seriously in debt, a testament to how inefficiently they have been run.

A big bulk of that debt is owed to Tenaga Nasional Bhd for unpaid electricity bills of the water-processing plants.

Malaysia's water saga has many chapters, with each state having its own stories, good and bad.

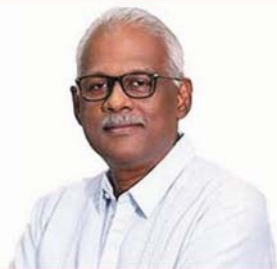
Recall that in Selangor, the process of restructuring the state's water infrastructure had dragged on for 10 years due to differences in concessionaires' valuations, before coming to an end in 2018.

# Moving towards a water-secure future

The need to value it has risen due to climate change

**“Water should be prioritised by the government as part of national security concerns in the wake of climate change effects.”**

Charles Santiago



Since then, Pengurusan Air Selangor Sdn Bhd (Air Selangor) has operated as the sole concessionaire to manage water supply services in Selangor, Kuala Lumpur and Putrajaya.

Among Malaysian states, Penang is perhaps the best run, as it has managed to build good infrastructure for both residences and businesses, and at the same time, efficiently too.

The state's Penang Water Supply Corp (PBAPP) charged the lowest domestic tariffs – at 22 sen per 1,000 litres for the first 35,000 litres per month in 2022. The national average is 77 sen per 1,000 litres of water.

Water management in Selangor, Perak and Johor are also efficiently run.

Sharing his experience working with state water operators, Cosmos Technology International Bhd managing director Datuk Chong Toh Wee says the four states have been good paymasters, a reflection of their better financial levels.

Cosmos is an integrated water technology solutions provider, specialising in distributing Siemens Malaysia Sdn Bhd's electronic flow meters to clients which include Air Selangor, PBAPP and Ranhill Holdings Bhd, which via Ranhill SAJ, is the sole source-to-tap water supplier in Johor.

On the other hand, Pahang has long struggled with water issues.

The financial position of the state's water operator, Pengurusan Air Pahang Bhd, is not good and it is understood part of that is

due to obligations the state has towards the many Federal Land Development Authority settlements there.

Pahang has also not raised tariffs for residences in almost four decades.

One of the main challenges in the country's water management is the high level of water loss or non-revenue water (NRW).

This is water that has been produced and is “lost” before it reaches the customer due to pipe leakages or gets used by customers but not paid for because of theft or inaccurate metering.

“This loss is a cost to water producers that can impact their financial viability against the backdrop of low tariffs. However, raising tariffs can be one of the most contentious political issues,” says Chong.

For Charles Santiago, chairman of the National Water Services Commission (Span), water should be prioritised by the government as part of national security concerns in the wake of climate change effects.

Speaking to *StarBizWeek*, Santiago says the need to value water has never been greater.

“Malaysia is facing a climate emergency. Rising sea levels, frequent extreme weather from unpredictable rainfall patterns to droughts show us that we cannot ignore climate change and have to plan for a worse-case scenario,” he adds.

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## Govt may need to invest RM30bil in next three years to regulate industry

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Illustrating this, he says a Span study on 50 reservoirs (out of over 100 reservoirs in Peninsular Malaysia) identified seven as "high-risk" with the potential to cause water supply problems to water treatment plants in the event of dam function failure.

Santiago reckons that the Malaysian government needs to invest about RM30bil over the next three years to regulate the water industry, which is crucial for developing new energy resources.

"For example, you need water to create hydropower. So we need to ensure adequate water supply," he asserts.

On NRW, Santiago says it is a huge source of wastage, adding to the already high operating costs. According to him, this is mainly due to pipe leaks and imperfect pipe joints.

"As of 2022, there were close to 40,000 kms of asbestos cement (AC) pipes, making up about 29.3% of total pipe length.

"These AC pipes are beyond useful life because they were installed over 30 to 40 years ago. On a positive note, the government has allotted RM1.9bil to replace the pipes on a large scale," says the former Member of Parliament for Klang who was appointed to helm Span in March 2023.

Notably, Penang has one of the lowest rates of water loss despite its low water tariff.

The state had adopted a model (during Gerakan's Tan Sri Koh Tsu Koon's leader-

ship) where a small percentage of the ownership of PBAPP's parent company, PBA Holdings Bhd, was opened to employees – giving them skin in the game and a greater level of commitment plus accountability.

Similarly, Johor and Selangor have been fairly successful in keeping their NRW at the lower end between 24% and 28% as of 2022.

However, the figure reached up to 60% for some states.

For perspective, the World Bank recommends that NRW should be less than 25% of the total water produced. In some developed countries, it is as low as 15%.

Currently, the average total tariff at RM1.37 per cubic metre (cu m) charged to consumers in Peninsular Malaysia and Labuan cannot cover the capital and operational expenditures required to provide treated water, which stood at RM1.68 per cu m.

Last year, the Cabinet (under the previous government) agreed to adjust water tariffs for trade, commercial and industrial sectors.

However, a tariff review for the domestic or residential category was deferred due to the rising cost of living.

However, last month, the Natural Resources, Environment and Climate Change Ministry said it was preparing a Cabinet paper on a new water tariff mechanism that eliminates the need to seek ministerial approval for tariff adjustments.

Its minister, Nik Nazmi Nik Ahmad, said there was a consensus among all state governments on raising domestic water tariffs.

Touching on this, Santiago says a tariff review for the domestic category is long overdue.

"The objective is to ensure the sustainability of the water industry as sufficient revenue is crucial for water operators to carry out their obligations. Currently households make up about 85% of the accounts, contributing 40% to 50% towards the revenue of water operators."

He reiterates that the tariff review is fair and will not burden consumers, especially the low-income (B40) and poor households who will be "given a lifeline to a certain extent".

"One of the functions empowered to Span is to advise the minister on a systematic and transparent tariff setting mechanism, which is fair to both consumers and licensees.

"In this regard, we have developed a tariff setting mechanism and it is premised on this that the new water tariff is proposed for the Cabinet's approval," he adds.

Tariffs aside, Santiago says it is also imperative that consumers change their attitude towards water.

On average, he says that Malaysians consume 237 litres of water per person daily, as compared with the World Health Organisation's recommended rate of 160 litres per day, which is also the target Malaysia hopes to achieve by 2030.

One of the main reasons for this is the very low water tariffs we enjoy.

"The demand (for water) will only go higher, not to mention the importance of water to our economy for power generation, industries and agriculture, which can put strain on our future water resources."

To close the supply-demand gap, he says the commission is looking at several initiatives such as recycling wastewater or harvesting rainwater for general use other than human consumption.

Span is also looking to beef up the environmental, social and governance aspect in water management. Towards this end, it has engaged a cloud-based system to gauge greenhouse gas emissions in its organisation as well as water operators' water treatment plants.

Santiago says there is currently a lack of focus in ensuring carbon neutrality in the water sector which generates 10.6 kgs of emissions for every cu m of water consumed.

Its one other area of focus is strengthening the integrity in water governance.

"As the water regulator, we practice zero-tolerance against corruption.

"We have launched an anti-corruption framework for licence holders and certifying agencies with the aim to strengthen the governance mechanism through audit, risk management, monitoring and training," says Santiago, adding that complying with this is one of the conditions imposed when awarding or renewing operators' licences.