

# Food for Thought

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## **Implement Selangor Water Services Industry Restructuring and Langat 2 Parallel**

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### **IMPLEMENT SELANGOR WATER SERVICES INDUSTRY RESTRUCTURING AND LANGAT 2 PARALLEL**

Association of Water and Energy Research Malaysia (AWER) reiterate that the restructuring of national water services industry is inevitable. It is equally important that the public and businesses are fully aware of the strength of Water Services Industry Act 2006 (WSIA). Any attempt to delay or alter WSIA model implementation will push Malaysia away from development. Nevertheless, AWER has been continuously monitoring the WSIA model implementation to prevent it from being derailed. We also urge the Federal Government and Selangor State Government to stop blaming each other and analyse the solution for Selangor Water Services Industry constructively. It is people that need to be protected!

#### **Restructuring solution for Selangor Water Services Industry**

Selangor State Government does not need a 100% stake to make decisions in SYABAS or any other water treatment companies. Total stake that is above 51% will enable Selangor state government to make decision to move forward and ***put an end to concession agreement in Selangor***. How can this be achieved?

In the RM 5.8 billion Selangor water bond bailout, Federal Government did not take over any stake from concession agreement holders that are equivalent to the bailout amount. Now, ***Federal Government MUST take over the stakes that are equal to the bond bailout value and transfer the stakes to Selangor State Government via WSIA's asset-light approach and complete the restructuring process to end concession agreements***.

For example, Indah Water Konsortium (IWK), a private company has signed concession agreement with Federal Government on 9 December 1993 to manage the 'connected' sewerage services. However, this private company was incapable of managing the debts and needed a bailout by year 1999. ***The Federal Government did bailout IWK and took over the entire company.***

***Section 191(4) and 191(5) of WSIA outline the renegotiation needs and the power for the Minister of Energy Green Technology and Water (KeTTHA) to utilise 'National Interest' in the water services industry restructuring process.*** Based on the Dewan Rakyat's Hansard (Penyata Rasmi DR.4.9.2006), the Federal Government did explain the reasons for IWK bailout and takeover. This can be a good basis to define 'National Interest'.

This golden opportunity was always been in front of both parties (KeTTHA and Selangor State Government). ***Why there is still delay in restructuring?*** The Federal Government designed WSIA model to prevent CONCESSION type of operation in water services industry. The Selangor State Government is also against concession agreements. This common goal is the unifying factor that should be fully explored!

### **Langat 2 Water Treatment Plant Project**

Suruhanjaya Perkhidmatan Air Negara (SPAN) must ensure a ***Raw Water Quality*** based raw water tariff agreement to be signed between Selangor, Pahang and SPAN compared to a flat rate that is currently suggested. Pahang State Government must permanently gazette the primary and secondary water catchment areas that will supply raw water via Pahang-Selangor raw water transfer project to ensure raw water supply security.

In addition to that, who will manage Langat 2 water treatment plant upon completion? If we refer to the newly completed Sg. Labu Water Treatment Plant in Selangor, it was handed over to Selangor State Government to operate upon completion. This is also a similar practice for all the states that have restructured under WSIA model. Therefore, ***Langat 2 water treatment plant must be handed over to Selangor State Government to operate upon completion.***

***In this case, Selangor State Government has nothing to lose.*** WSIA model with asset-light approach allows more transparency and public as well as businesses can demand to SPAN to increase transparency in water services industry.

### **Success in Transparent Tariff Setting Process**

Transparent tariff setting is another great milestone achieved by AWER this year under WSIA implementation. The Secretary General of KeTTHA has given a go ahead to SPAN to convert the transparent tariff setting framework into a functional mechanism after continuous pressure by AWER via media as well as directly with KeTTHA to implement transparent tariff setting process for water services industry.

This success in an important achievement for us in Malaysia because it will also further strengthen AWER's argument that WSIA model is a world class model that can be emulated for water services industry by any developing country. ***AWER is looking forward to witness***

***Malaysians participating in the first ever transparent tariff setting process in Malaysia. It is a victory for Malaysians!***

## **Conclusion**

WSIA model will place Malaysia in the mainstream of world class socio-economic model for water services industry. Success is just few steps away and we hope no parties stand in the way. We urge all stakeholders to read our publication, 'National Water Services Industry Restructuring - The Truth' at [www.awer.org.my](http://www.awer.org.my) to understand more about WSIA model and its benefits for Malaysia. Do not politicise WSIA model implementation. Work together to ensure a 'correct' WSIA model is implemented for the benefits of the people and development of the country.

Kedah, Terengganu, Pahang, Kelantan, Selangor and Labuan have not restructured under WSIA model yet. In addition to that, AWER welcomes both Sabah and Sarawak to join the WSIA regime to enhance the water services industry in both states.

Ensure water security in Malaysia, do not politicise WSIA.

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President

Association of Water and Energy Research Malaysia (AWER)

## **ADDITIONAL INFORMATION: CORE COMPONENTS OF WATER SERVICES INDUSTRY ACT 2006 (WSIA)**

I. ***Asset Light Model*** - Restructuring of water services industry is aimed to ensure water operators place their priority in delivering good water quality and services quality. Water Operators do not need to worry about financial burden, debt (liability) and new water services infrastructure development projects. Their duties will be bound to operating, maintaining, and carry out the core responsibility, which is supplying safe and continuous supply of water to the people efficiently.

II. ***Prevents any type of CONCESSION AGREEMENT in future*** - Concession agreements have caused too many issues in national water services industry. WSIA do not encourage any type of concession agreements. Through National Water Services Commission (SPAN), operation license will be given with Key Performance Index (KPI). Such licenses will only be renewed every 3 years with the condition that the water operator fulfills KPIs set by SPAN.

III. ***Enforcement by SPAN*** - SPAN will regulate water operators in terms of technical, service quality and profit. Pengurusan Aset Air Berhad (PAAB) which is a wholly owned company by Ministry of Finance, will also be licensed by SPAN to manage water assets. PAAB is regulated by SPAN in terms of technical, service quality and profit as well to protect people's interest.

IV. **Full Cost Recovery** - Till date, the liabilities in water services industry are ever increasing. This has deterred many water infrastructure and technologies developments for the need of future generation. 'Unpaid Debts' like this will burden our descendants if left unresolved. The Asset Light Model and Full Cost Recovery approach together will protect the people's well being and ensure Water Supply Security (a component of national security) is achieved.

V. **Reasonable and transparent water tariff** - SPAN will ensure that the tariff does not burden the people. Formation of PAAB will reduce the liability burden while increasing the standard of water services industry via continuous development of water services infrastructures. Through WSIA, water services industry will be transformed into a stable economic sector and not 'high profit' oriented like private sector. In near future, all of us also can participate in tariff setting process. Such process is practiced in OFWAT Model from United Kingdom which was the reference model for the formation of SPAN and WSIA. A transition process will be put in place to encourage members of public to participate in tariff setting process.

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