

# Food for Thought

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## **Restructure Sewerage Service Industry First, Its Stinking**

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LETTER TO EDITOR - 8th July 2013

### **Restructure Sewerage Service Industry First, Its Stinking**

Water services industry is divided into water treatment, water supply and sewerage services. These three components are subjected to National Water Services Industry Restructuring process outlined by the Federal Government. Issues related to industry structure, transparency, lack of infrastructure development, failure in privatisation (concession agreement) and cost structure (tariff) were the main reasons Federal Government convinced the Conference of Rulers (Majlis Raja-raja) to pursue with implementation of Water Services Industry Act 2006 (WSIA) model. Eventually WSIA was passed by the parliament.

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 bailout IWK and took over the entire company.

Restructuring of Indah Water Konsortium (IWK) should have completed as early as year 2008. What is delaying Ministry of Finance (MoF) from doing so? Furthermore, IWK is also seeking tariff increase and will be receiving allocations for sewerage infrastructure recovery projects continuously. AWER would urge Federal Government not to allow any tariff review for IWK without restructuring it first. We hope the newly elected Federal Government will ensure MoF to surrender the concession agreement first to lead by example. In the long run, IWK will be broken to state based entities to merge with water supply companies at state level to increase the economic sustainability of the water services industry. This is the complete WSIA model.

Moreover, the Federal Government needs close down Jabatan Perkhidmatan Pembentungan (JPP). JPP is operating redundantly with SPAN, Pengurusan Aset Air Berhad (PAAB) and in some cases with IWK in terms of regulatory, project management and project implementation. They are actually duplicating and messing up duties and functions that should be carried out by SPAN, PAAB and IWK. Redundancy will not only slow down effectiveness of regulator to implement its duties but also open rooms for abuse of power and mismanagement from officers of JPP. For example, JPP has given recommendation for a project involving IWK and a private company to be implemented where it has NO REGULATORY POWER. Regulatory power for sewerage services falls under SPAN according to WSIA. Therefore, JPP must be closed down and the officers can be absorbed into SPAN, PAAB and IWK as an option or opt out to other government vacancies.

Why improving sewerage services are very important? Please keep in mind that the sewerage pollution to water is really a serious issue. The Langat River basin has more than 30,000 individual septic tanks and it is the biggest contributor to the ammonia levels in this river water. Not including other sewerage treatment plants along the river basin that are still discharging pollutants. This river is one of the major water intake points. Yes, we do use river water with sewerage pollution for drinking water purposes after treatment.

Nevertheless, WSIA also requires industries to be transparent, including tariff setting process. AWER has successfully pushed the Federal Government to implement the transparent tariff setting process. This process will ensure every detail of Capital Expenditure (Capex), Operational Expenditure (Opex), regulated and non-regulated revenue to be included in the tariff setting process with the involvement of all stakeholders including members of public.

When it comes to sewerage tariff, is it fair for those who use less water and discharge less wastewater to connected sewerage system to pay the same amount compared to those who discharge more. Therefore, a volumetric billing system is vital. AWER has met with the senior officers of Ministry of Energy, Green Technology and Water (KeTTHA) to discuss and conclude that volumetric based sewerage charges will be imposed for all consumers soon.

To make sewerage industry more vibrant and sustainable, densely populated areas with individual septic tanks and pour flush system needs to be connected. If more service is rendered, overall operational cost can be reduced. This is a mass production concept. But, those least populated areas must have individual septic tanks that are desludged (sediments sucked out) every 2 to 3 years once. This is mainly because connecting the low populated areas will be very costly.

Now, the funding for doing this improvements can be obtained via Pengurusan Aset Air Berhad (PAAB), a body set up to smoothen the restructuring process to assist financing infrastructure development. How do you pass this cost to tariff? It has to be done via transparent tariff setting process and all the cost of IWK must be audited and benchmarked.

Plug the leaks inside the system (IWK) before charging the people. That is WSIA made simple for you.

Now, this treated sewerage wastewater can be used to cool machines and for other non-food processing plants, watering parks under local

government, etc. This will increase revenue to sewerage industry via regulated services.

Much more can also be done to sustainably harvest methane (a green house gas) from sewerage to reduce sewerage treatment plant's dependency on electricity. This also means that, sewerage can become another sustainable renewable energy resource with continuous supply of resources from us (we daily release a good sum of resources).

Almost forgot one last point, any income made in removing or scrapping old parts (by recycling), producing fertilisers from sludge, reusing sewerage wastewater and other forms of business (advertisement boards) via sewerage services, IWK needs to pass the income back to tariff. It is not the profit for the company. This is also another important point in WSIA. So, IWK needs to be more transparent in its costing and operation to gain public's and businesses' trust. This was also another point agreed upon during meeting between AWER and KeTTHA.

So, MOF what are you guys waiting for? Surrender the concession agreement of IWK to allow them to restructure. Stop being a stumbling block for betterment of water services industry of Malaysia. All these goodies will only be realised if MOF agree to restructure IWK. There is no need to form large scale money gobbling (beyond Malaysia's capacity) National Sewerage Company (NASCo), restructure first! It rhymes with People First theme as well.

Towards completion of national water services industry restructuring by end of year 2013.

Piarapakaran S.

President

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[GO BACK](#)

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