

Food for Thought

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ESTIMATED LOSS OF REVENUE DUE TO NRW BETWEEN 2008 AND 2013 IS MORE THAN RM 10 BILLIONS!

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ESTIMATED LOSS OF REVENUE DUE TO NRW BETWEEN 2008 AND 2013 IS MORE THAN RM 10 BILLIONS!

Since 2011, Association of Water and Energy Research Malaysia (AWER) has been carrying out modelling study to determine the loss of revenue due to Non-Revenue Water (NRW). The results were released in 2011 and 2012 to ensure relevant agencies implement recommendations by AWER to curb loss of treated water in the distribution system. This has prompted the Cabinet to instruct Suruhanjaya Perkhidmatan Air Negara (SPAN) to implement a proposal by AWER to form National NRW Reduction Taskforce. The taskforce was also tasked to include important steps proposed by AWER to carry out National NRW Reduction Action Plan. In 2013, AWER did not release the modelling findings to observe the reaction from the authorities. The NRW issue was forgotten until it was raised again by AWER early this year during water crisis that hit Selangor and Kuala Lumpur. This only proves that if authorities are not 'constantly reminded' of a certain problem, they tend to 'FORGET'.

Now, let's look at how much Malaysia has been leaking?

Table 1 shows breakdown of NRW for each state and national average. Only Johor, Kelantan, Melaka, Negeri Sembilan, Pahang, Perlis and Terengganu recorded drop in NRW percentage. National NRW levels have increased from 36.4% in 2012 to 36.6% in 2013. Perlis records highest NRW loss in percentage that is, 66.4% in 2012 and 62.4% in 2013. Selangor (including Kuala Lumpur and Putrajaya) records highest

NRW loss in volume, that is 1,429 MLD (Million Litres per Day) in 2012 and 1,575 MLD in 2013.

Table 2 shows estimated loss of revenue due to NRW for each state in 2012 and 2013. Only Johor, Melaka, Negeri Sembilan, Pahang and Terengganu has recorded drop in loss of revenue. Lowest estimated loss of revenue is recorded by Labuan amounting to RM 3.9 Million in 2012 and RM 5.3 Million in 2013. Highest loss of revenue is recorded by Selangor (including Kuala Lumpur dan Putrajaya) amounting to RM 667.1 Million in 2012 and RM 718.8 Million in 2013.

Table 1: State and National Non-Revenue Water in Million Litres per Day and Percentage for 2012 and 2013

State	2012		2013	
	Non-Revenue Water MLD	%	Non-Revenue Water MLD	%
Johor	427	27.8	417	26.4
Kedah	653	50.6	675	50.9
Kelantan	219	53.9	228	53.1
Labuan	12	20.4	16	25.9
Melaka	113	23.8	107	22.1
N. Sembilan	298	40.4	267	36.3
Pulau Pinang	170	17.6	180	18.2
Pahang	586	54.2	561	52.7
Perak	349	30.1	365	30.4
Perlis	133	66.4	132	62.4
Sabah	528	49.9	602	53.2
Sarawak	320	29.4	359	31.3
Selangor	1,429	33.1	1,575	34.5
Terengganu	226	36.8	210	33.8
MALAYSIA	5,464	36.4	5694	36.6

(MLD: Million Litres per Day)

Source: Suruhanjaya Perkhidmatan Air Negara (SPAN)

Table 2: Estimated Loss of Revenue due to NRW in Each State for 2012 and 2013



State	<i>Estimated Loss of Revenue due to NRW (RM Million)</i>	
	2012	2013
Johor	198.7	196.8
Kedah	174.5	179.1
Kelantan	52.9	69.7
Labuan	3.9	5.3
Melaka	46.1	43.7
N. Sembilan	107.8	98.4
Pulau Pinang	32.2	34.1
Pahang	181.6	170.6
Perak	101.40	106.8
Perlis	29.10	30.4
Sabah	173.4	197.6
Sarawak	84.8	95.1
Selangor	667.1	718.6
Terengganu	61.3	56.9

Table 3: Annual Estimated Loss of Revenue due to NRW between 2008 and 2013

Year	2008	2009	2010	2011	2012	2013
<i>Annual Estimated Loss of Revenue due to NRW RM (Billion)</i>	1.624	1.632	1.786	1.848	1.915	2.003

Table 3 shows the annual estimated loss of revenue due to NRW between 2008 and 2013. Between 2008 and 2013, the total loss of revenue due to NRW is a staggering RM 10.808 Billion. The estimated financial loss due to NRW is more than 1/3 of revenue collected by water services industry annually. If full cost recovery is implemented in water services sector, the loss of revenue due to NRW is also set to increase in tandem with the increase in water tariff. In addition to that, the operational expenditure (OPEX) incurred in producing the treated water is a pass through to tariff. Therefore, the people and businesses are forced to pay for the inefficiency cost due to NRW.

The NRW Reduction Action Plan is designed to cover the detailed NRW reduction targets for each state, technical specifications, standards,

identification of severity of NRW (critical, sub-critical and non-critical), contractual obligations (with strict benchmarking) and funding (from Pengurusan Aset Air Berhad / PAAB). Unfortunately, the taskforce failed to even have meetings based on Terms of Reference (TOR) set to review status of NRW periodically and recommend necessary corrective action to reduce NRW further. AWER's modelling of estimated loss of revenue due to NRW is a very conservative figure; the actual economic value is definitely higher. In the wake of this year's water crisis and rise in cost of construction as well as water services infrastructures, it is a SMART move to reduce NRW. World Bank set the NRW criteria at 25% for developing nation and 15% for developed nation. This is the main reason AWER sets 20% national NRW target for Malaysia by year 2020.

AWER has also foreseen water crisis reoccurrence due to failure in planning and management of our water resources; this is the core reason why we have been adamant that authorities must go full force in NRW reduction.

Water Services Industry Act 2006 (WSIA) was enforced from 1st January 2008 and this law gives power to SPAN to regulate water services industry in Peninsular Malaysia and Federal Territory of Labuan in the aspect of technical, economical and services. The responsibility of reducing NRW lies within the water operator and Suruhanjaya Perkhidmatan Air Negara (SPAN) for states that have migrated to Water Services Industry Act 2006 (WSIA) regime. For states that have not migrated (Terengganu, Kelantan, Pahang, Labuan and Kedah), the state government is still fully responsible for reduction of NRW. Similarly, Sabah and Sarawak are fully responsible for the NRW reduction because both the states did not join as part of national water services industry restructuring under WSIA. We urge the Cabinet to ensure SPAN leads NRW reduction with strict Key Performance Index (KPI) set for both water services industry and SPAN to perform. Similarly, NRW reduction must be made important KPI for water services industry during transparent tariff setting process for water tariff review application. States that fail to reduce NRW targets must be penalised by rejecting or reducing the quantum of tariff review.

Remember, every percentage of reduction in NRW is additional availability of treated water for consumption.

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President

Association of Water and Energy Research Malaysia (AWER)

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