

Food for Thought

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Selangor Water Services Concession Agreement Holders Must Accept Selangor State Governments Offer

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23rd November 2013 (Saturday) - LETTER TO EDITOR

Selangor Water Services Concession Agreement Holders Must Accept Selangor State Governments Offer

Association of Water and Energy Research Malaysia (AWER) has been following the National Water Services Industry Restructuring (NWSIR) process closely. In fact, we have been putting a lot of pressure to Ministry of Energy, Green Technology and Water (KeTTHA) to speed up the completion of NWSIR process by end of this year as the NWSIR is delayed for 3 years. We like to stress that ***Water Services Industry Act 2006 (WSIA) has 193 Sections and NONE of it has 'Willing Buyer Willing Seller' mumbo jumbo.***

WSIA and NWSIR require state governments to propose consolidation and how they want to restructure the water services sector in the state. The proposal must be in accordance to WSIA and asset-light model as well as KeTTHA is required to facilitate the proposal. Back in 2008, Selangor state government's latest offer is in line with WSIA.

These were the facts we have raised to Secretary General of KeTTHA early this year right in front of her officers and none denied or countered our argument. We did give alternative solutions to solve the delay and they have accepted our suggestions.

Based on explanation given by Selangor State Government, AWER views the 12% return on equity as a very good offer compared to all the previous offers. This is mainly because the investment risk in water services industry is very low. Therefore, the offer from Selangor State Government can be placed similar to fixed deposit returns by banks. Currently, fixed deposit returns are around 4% and Selangor State

Government is offering 3 times of what these concession holders deserve. ***Nothing more should be entertained as all the cost will be passed to consumers via tariff.***

If concession holders do not agree to this offer by 4th December 2013, AWER has a proposal for Selangor State Government and Federal Government to end the Selangor water concession agreements.

First of all, Federal Government must take over the stakes that are equal to the Selangor water bond bailout value (RM 5.8 Billion). Then, this stakes can be handed over to Selangor State Government to complete the restructuring process. This is the easiest way for Federal Government to break the deadlock with Selangor State Government and to restructure Selangor water services industry if both parties are serious in protecting the interest of the rakyat.

Either way, ***WSIA was designed to end concession agreements and consolidate the industry.*** WSIA and asset-light model were to correct failure in privatisation of water services industry. If KeTTHA still sings the 'Willing Buyer Willing Seller' song along with concession holders, AWER will carry out our emergency plan to push for restructuring in Selangor which will leave the concession holders losing more than what they are offered today!

Piarapakaran S.

President

Association of Water and Energy Research Malaysia (AWER)

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