

# Food for Thought

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## **DISSECTING WATER ISSUES IN 11TH MALAYSIA PLAN (11MP)**

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### **DISSECTING WATER ISSUES IN 11TH MALAYSIA PLAN (11MP)**

Association of Water and Energy Research Malaysia (AWER) has prepared comments on 11th Malaysia Plan (11MP). These comments are based on previous reports and suggestions published by AWER compared to information in 11MP (read together with Strategy Papers by EPU), 10th Malaysia Plan (10MP) and 9th Malaysia Plan (9MP).

#### **1. Rural Water Supply**

Increasing treated water supply to rural community is a step in the right direction. Via the Water Services Industry Act 2006 (WSIA) model, this is a fast achievable outcome. We also encourage the Federal Government to engage Sarawak and Sabah state government to adopt the WSIA model to enhance the water services industry there. WSIA model caters for both centralised water services and rural water services development. However, the usage of rainwater harvesting systems (RHS) should not be factored in as treated water supply unless the harvested rainwater is treated prior to consumption. Upgrading existing rural water supply infrastructures should also be initiated to ensure continuity of the treated water supply.

#### **2. Polluter Pays Principle**

A one liner in 11MP did not explain how the mechanism functions. We have been pushing for polluter pays concept for water and there are

available sections in Environment Quality Act as well as WSIA that can enhance prosecution against polluters which can be extended to other types of polluting mechanism (air and land). The gap in these mechanisms is the recovery of losses due to shut down of treatment plants, industries and commercial operation disruption as well as emergency services cost to the domestic consumers. All these cost must be factored in. Blacklisting the polluters from participating in government tender process can be another economic penalty that can be implemented.

### **3. Protecting Natural Forest As Permanent Reserves**

More effort needs to be placed in this issue because natural forests also play an important role as water catchment areas. Increase in population and economic activities will increase demand for treated water. The power on water resource is with state government and land-use change is the major culprit in failure to protect our natural forests. There are instances where natural forests being converted into palm oil plantation in a water catchment area. Gemencheh Dam, Negeri Sembilan is a classic example of failure in protecting water catchment areas. The dam now fails to function due to the land use change. More than RM 30 million will be spent to construct a back pumping system to extract water from Sg Jelai. Sg Jelai has murky water and this will definitely increase the wear and tear of the pump system as well as the rate of siltation in Gemencheh Dam. Therefore, on top of the construction cost, the electricity cost, pump maintenance cost and dam maintenance cost are set to increase.

Another such example can be seen is the raw water resource of Langat 2 project. The areas surrounding the water catchment areas are being logged and converted to palm oil plantation. This will cause drop in raw water quality as well as increasing the maintenance cost for pump system, tunnel and water treatment cost. Why should Klang Valley consumers pay 10 cents per cubic metres to get murkier raw water? Worst still, the water resource has the risk of failure similar to Gemencheh Dam. This concern has been raised to the relevant agency but no concrete action is being taken except pushing for Langat 2 to be completed. In a worst case scenario, Langat 2 and the tunnel will become a white elephant project. Who is going to pay for the cost of such white elephant project? In addition to that, Klang Valley may enter an irreversible negative reserve margin for many years if Langat 2 fails to function as it supposes to produce 1130 Million Litres per Day (MLD).

### **4. Flood Mitigation**

As suggested by AWER, it is good to hear that the flood forecasting will be improved. This will also be coupled with holistic flood management approach. The only caution we would like to flag is the status of Department of Irrigation and Drainage that has no regulatory or enforcement power. This may lead to land-use issues that may fail a flood mitigation planning. We hope this issue is taken into serious consideration.

### **5. Tariff Setting Mechanism and Join Billing**

Finally, our suggestion to fully use Pengurusan Aset Air Berhad (PAAB) funding and stopping direct funding from federal government for water services industry is adopted. Only through this, the WSIA model will be successful. However, the tariff setting mechanism is still far from what it should be. This was a milestone of 10th Malaysia Plan (10MP) which is not achieved. We have given our feedback on the slowness of WSIA

model implementation and diversion from its original implementation to both Suruhanjaya Perkhidmatan Air Negara (SPAN) and the senior management of Ministry of Energy, Green Technology and Water (KeTTHA). Joint billing is also another milestone that was outlined for 10MP. There are serious delays in WSIA model implementation as some milestones are set to be completed during 9th Malaysia Plan. Joint billing should also include merging the water companies (water treatment and supply) with sewerage services (Indah Water Konsortium-IWK). Penang, Klang Valley (Kuala Lumpur, Putrajaya and Selangor), Malacca and Johor can implement this step first. Talking about joint billing during 11MP does not carry any weight and significant impact if IWK is not restructured.

## **6. Implementation of Holistic Non-Revenue Water Reduction Programme**

After almost a 5 years battle to highlight the NRW problem in Malaysia, it's a victory that all our suggestion to reduce NRW is accepted under 11MP. We were also made known that the NRW Reduction Action Plan that was developed by NRW Reduction Task Force (which both was pushed by AWER into formation) will be adopted to solve NRW problem. However, we will still set the Key Performance Index for SPAN at 20% NRW levels by 2020 compared to SPAN's own target (25%). This is because World Bank sets 15% NRW levels for developed nation and 25% NRW levels for developing nation. We will continue to monitor the progress of the NRW programme as Selangor, Kedah, Kelantan, Terengganu, Pahang and Labuan has yet to restructure under WSIA model. All these states should have completed the restructuring process during 9th Malaysia Plan which ended in 2010. Sabah and Sarawak did not join WSIA model.

## **7. Sewerage Industry**

We are happy that the suggestion to build regional and centralised sewerage treatment plants is given priority under 11MP as suggested by AWER. Only through this, both economic and environmental sustainability for sewerage sector can be achieved. This is coupled with adopting our proposal to convert waste to wealth from sewerage sector that will increase the economic viability of the projects. We welcome the National Sewerage Master Plan development by SPAN and will contribute to enhance it further. The master plan must be developed with inclusion of all stakeholders and not the "yes boss" entities and vested interest groups only.

## **8. Water Demand Management Master Plan**

Water Demand Management Master Plan is timely as AWER has called for a holistic water demand management numerous times. However, the master plan has left out major water usage (raw water) in industry and agriculture sector. Therefore, it is wise to rename the master plan to Treated Water Demand Management Master Plan. Revision of tariff is suppose to assist water companies to recover capital expenditure, operational expenditure as well as regulated profit. So, tariff cannot be used as a direct tool for water demand management. It is the tariff bands that are set to be punitive that will encourage water efficiency. This is coupled with volumetric sewerage billing that AWER has suggested to encourage water efficiency holistically. The master plan must be developed with inclusion of all stakeholder and not the "yes boss" entities and vested interest groups only.

## **9. Realigning Public Sector Institutions and Reducing Overlapping Roles**

This is timely inclusion for 11MP. In fact, AWER would like to suggest precedence that can be carried out by this year itself. Sewerage Services Department (JPP) has overlapping function with PAAB, SPAN and Indah Water Konsortium. Water Supply Department (JBA) has overlapping functions with PAAB, SPAN and water operators. There should not be any attempts to reduce functions of PAAB, SPAN, Indah Water Konsortium or water operators. Both JBA and JPP must be closed down and its staff force can be absorbed to SPAN, PAAB, Indah Water Konsortium, water operators or other government vacancies. If this can be carried out, the government will show its seriousness in carrying out its pledges in 11MP. Similarly, it is widely known that JPP is attempting to form National Sewerage Company (NaSCo) to play the same role like PAAB for sewerage industry. This sort of manipulation and diversion from actual WSIA model must be stopped.

## CONCLUSION

AWER is glad that the Federal Government and Economic Planning Unit (EPU) adopted many of our suggestions over the past few years into 11MP. This is a positive move towards improving national policies. As we have pointed out in our comments, many sectors needs improvements and some of the implementation is not needed. It is also very glaring that repetition of projects and plans in Chapter 3 (rural water supply), Chapter 6 (green growth) and Chapter 7 (infrastructure components) for water services and energy related issues. Plans like 11MP should avoid repetition as it portrays confusion in drafting the plan. A project or plan should be clustered under criteria that it will be measured upon clearly.

Water related planning (especially water services) has been delayed since 9th Malaysia Plan. AWER will continue to monitor the implementations of the plans and subsequent budgets (2016-2020) to determine the actual implementation of the plans and projects in 11MP. Land-use jurisdiction which falls under state governments will be the major stumbling block. The management of this risk was never highlighted in all cross cutting issues in 11MP.

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