

# Food for Thought

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## **BUDGET 2017- COMMENTS BY AWER**

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THURSDAY, OCTOBER 27, 2016 | Comments(0)

PRESS RELEASE - 25th OCTOBER 2016 (TUESDAY)

### **BUDGET 2017- COMMENTS BY AWER**

Association of Water and Energy Research Malaysia (AWER) has studied the detailed budget for year 2017 made available by Ministry of Finance and compared it with 9th, 10th and 11th Malaysia Plan. Our detailed comments are as below:

#### **1. Water Services Sector (Water Treatment, Supply and Sewerage)**

The Prime Minister has announced the importance of protecting water catchment areas and he did highlight the importance of state governments' role. AWER hopes that the 2 mechanisms which are Raw Water Quality Based Raw Water Tariff and Pollution Loading Factor For Wastewater Standard Upgrade that was presented by us to Ministry of Finance (MoF) can be adopted to ensure protection of upstream and downstream water catchment areas to create a holistic solution in water resource management.

On the formation of Water Supply Fund with RM 500 Million allocation, we urge MOF to place the fund under National Water Services Commission (SPAN). SPAN is technical, service and economic regulator for water services and they are better positioned to manage this fund to address water supply issues. The allocation should be strictly for solving water crisis related capital expenditure (CAPEX) only. Such CAPEX can be linked to upgrading water treatment capacity, adding or increasing the capacity of pollution stripping facility and adding service reservoirs to boost reserve margin in low water pressure supply zones. Normal CAPEX and operational expenditures must not be supported by this fund.

The national Non-Revenue Water (NRW) project was allocated RM 15 million in 2017. There was no allocation in 2016. Under the National Water Services Industry Restructuring (NWSIR), licensed water operators can get direct financing from Pengurusan Aset Air Berhad (PAAB). Under the National NRW Reduction Action Plan, the financing of NRW projects was also addressed. Government need not to worry on the funding. The most important thing is to ensure all state water operators are restructured under Water Services Industry Act 2006 model. Clearly direct funding is against the reason why NWSIR was put in place in the first place. AWER also urges SPAN to reactivate NRW reduction task force which was suggested by AWER in 2011 and approved by the cabinet back then. All NRW projects must follow strict deliverable requirements based on our suggestions to couple most critical NRW zones with highest connection per km (kilometers) as high priority. This will allow high return on investment.

National Sewerage project has been allocated RM 9.031 Billion. 10th Malaysia Plan has utilised RM 1.407 Billion of the allocation. In 2016, a total of RM 572.12 Million was allocated and in 2017 direct funding amounting RM 321.17 Million and loan amounting RM 189.5 Million has been allocated. Till date, RM 2.490 Billion (27.6%) has been allocated. Based on industry stakeholder consultation carried by AWER, sewerage piping for zones with individual septic tanks can be built but this does not mean higher connection to such services can be achieved. This may also end up as waste of public funds. AWER urges Auditor General to audit these projects and SPAN must have full regulatory power over the technical and economic part of these projects. Partially these problems also occur due to Sewerage Services Department (JPP) being a redundant agency is still allowed to continue to exist. On the other hand, we urge MoF to surrender the IWK's concession agreement to allow NWSIR to be implemented smoothly. This move will also address IWK's financial problem and eventually drive the sewerage industry to be sustainable.

## **2. Transportation Sector**

The final energy use for transportation sector in Malaysia for 2014 is 46.59%. It is relatively high and energy resources should be put into sectors that give high economic output with lower energy input. The increase in public transportation network will assist in reducing higher dependency of transportation sector on energy resources. Connectivity from rail based transportation to city buses as well as connectivity to rural areas needs a revisit and must be improved. It is good to hear that the government will continue its pledge to improve public transportation. To assist in increasing public transportation usage, keeping cost of public transportation lower than cost of using private vehicle is a key parameter.

In addition to that, implementation of energy efficiency labelling for private and commercial vehicles is a must. This will assist to place a minimum energy performance standard or MEPS for vehicles, just like electrical equipments. Such move will prevent non-efficient vehicles from entering Malaysian market and being sold to the domestic and business consumers. This is an important step that the government must implement to reduce high energy dependency in the transportation sector.

## **3. Rural Water and Electricity Supply**

Total project costing for rural electrification is RM 3.321 Billion. In 2016, a total of RM 747.0 million was allocated. For 2017, RM 462.0 Million is allocated for this purpose. 36.4% of projected allocation will be utilised by 2017. On the other hand, total project costing for rural water supply is RM 10.092 Billion. Until 2016, a total of RM 490.48 million has been allocated. For 2017, RM 632.40 Million is allocated for this purpose. Only 11.13% of the allocation will be utilised by 2017. We urge the technical specifications to be made uniform throughout the project implementation to ensure the quality of rural water and electricity supply projects are well maintained. Getting locals to be appointed to oversee the basic maintenance of these projects will also assist in ensuring success in these projects.

## **5. Overhaul of Energy Commission's Management**

Electricity Supply Act and Energy Commission Act clearly define the roles and duties by Energy Commission. Electricity sector, natural gas supply, energy efficiency and renewable energy must be centralised under Energy Commission. Output based mechanism must be developed to ensure Energy Commission implements decisions that pass on savings to electricity tariff and not the opposite. Energy Commission's failure to adhere to this should be severely punished. Why should the people and businesses pay higher electricity tariff for the incompetency and incapability of Energy Commission? Centralisation will also reduce office politics as well as duplication of roles. It will optimise human capital as well as to ensure policy implementation and enforcement can be implemented uniformly. We also urge the government to cancel all the direct award of power plant projects to fulfill the pledge government made in 10th and 11th Malaysia Plan that new power plants will be enrolled via transparent competitive bidding.

## **6. Close Down Redundant Agencies in KeTTHA in line with 11th Malaysia Plan (11th MP)**

Sewerage Services Department (JPP) has overlapping function with PAAB, SPAN and IWK. Water Supply Department (JBA) has overlapping functions with PAAB, SPAN and water operators. For energy and green technology sector, Sustainable Energy Development Agency (SEDA) and Yayasan Hijau must be closed down. SEDA was mooted due to office politics and not real national policy need. Yayasan Hijau is basically doing some of the work that was previously done by GreenTech Corporation Malaysia. SEDA's functions can be carried out by Energy Commission. Meanwhile, Yayasan Hijau's function can be carried out by GreenTech Corporation Malaysia. There must also not be any attempts to reduce functions of Energy Commission, PAAB, SPAN, IWK or water operators. Both JBA and JPP must be closed down and its staff force can be absorbed to SPAN, PAAB, IWK, water operators or other government vacancies. We urge the Federal Government to lead by example to close down these redundant agencies under KeTTHA. AWER is very disappointed that repeated advice to close down redundant agencies is still left unattended.

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President

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