

PRESS RELEASE

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SELANGOR WATER CRISIS - KETTHA, STATE GOVERNMENT AND WATER CONCESSIONAIRES ARE TO BLAME!

Association of Water and Energy Research Malaysia (AWER) urges water concessionaires, Selangor state government and Ministry of Energy, Green Technology and Water (KeTTHA) to stop misleading the public and blaming each other in childish manner. Restructuring of national water services industry is inevitable and water concessionaires are fully aware of the strength of Water Services Industry Act 2006 (WSIA) because WSIA protects the people. Because of Selangor state government and KeTTHA continue to lock horns, restructuring is being delayed since year 2008. If the delay continues, the ultimate winners are the water concessionaires. We must also not forget some irresponsible KeTTHA officers play along in delaying national water services industry restructuring. These officers have blind folded the Minister and Cabinet in many decision making processes.

Supply and Demand Situation

Selangor state government should stop misleading public by issuing statements that dams are full and it always rain. The core issue here is, **Supply of treated water is near equal to Demand**. If you have 500 packets of nasi lemak to be sold and people wants to buy 520 packets, can you satisfy their needs? This is the simplest example to explain the current water supply issue. Furthermore, dams are design to store raw water for specified months without rain. This is a design criterion in engineering for dams. Raw water will be treated via water treatment plant to produce treated water. The entire supply-demand issue is related to treated water, not raw water. Adding a new treatment plant to a dam **will jeopardise the design buffer**. For example, if a dam is designed to withstand 3 month drought, increasing treatment capacity by adding a new treatment plant at the particular dam will make the dam's water to be drained lesser than 3 months when drought happens.

When peak demand happens and reserve margin falls to the negative region, the treated water in service reservoirs will start to be used up quickly. In worst case scenario, when treated water supply resume to normal situation, these reservoirs might not be filled up as the demand for treated water is still high. If this escalates, it will cause water supply disruption. For areas without these reservoirs (some industrial and residential zones), they are fully at the mercy of pressure in the distribution pipes.

This is not fiction and it is real engineering situation. The possibility for this to happen is high when reserve margin is very low. Any international water firm that may be hired will also give the same output as its purely engineering situation.

Non-Revenue Water (NRW) Reduction

Reduction of NRW needs short term and long term plans. AWER has successfully pushed Federal Government to form NRW Reduction Task Force under Suruhanjaya Perkhidmatan Air Negara (SPAN). Streamlining the solution for NRW reduction is important so that recovery of investment is fast and we invest in the correct projects. All water operators in Malaysia are facing financial constraints to reduce NRW as the capital expenditure (capex) is high. A solution for this problem will be derived by this task force while ensuring no misuse in allocations as well as effective NRW reduction to be put in place. Reducing NRW by 10% in Selangor cannot be done in 1 or 2 years time as the impact to tariff will be high. We need to identify critical areas to get immediate savings! The situation (NRW issue) is made worse by the delay in water services industry restructuring and failure to implement WSIA model fully.

Water Rationing

Before obtaining approval from SPAN, SYABAS has **NO RIGHT** to issue statements relating to water rationing because this will place public in a panic situation. Panic situation can also spike water usage as consumers tend to store more water at home. Section 54 and 56 of Water Services Industry Act (WSIA) clearly specified the requirements for a rationing and powers vested on SPAN and the minister. AWER urges SPAN to audit the data claimed by SYABAS to establish a real situation in the affected water supply zones. Results of the audit must also be made public to explain the real situation. We also urge SPAN to publish a guideline to water operators to ensure proper procedures are followed before any announcement can be made.

Langat 2 Water Treatment Plant

WSIA does not allow new concession agreement for water services industry beginning 1st January 2008. WSIA also requires water services licensees to

submit a 30 years business plan which will be used as a baseline for tariff setting process. In view of this, SPAN must ensure the following is implemented to ensure the Langat 2 project is implemented transparently:

- (i) Quality based raw water tariff agreement must be signed between Selangor, Pahang and SPAN;
- (ii) Pahang state government must permanently gazette the primary and secondary water catchment areas that will supply raw water via Pahang-Selangor raw water transfer project;
- (iii) Open tender of Langat 2 water treatment plant must be announced. Independent audit firms can be appointed by Pengurusan Aset Air Berhad (PAAB) to ensure transparency of this process to ensure construction cost is capped. Information of the bidders must be uploaded to SPAN's and PAAB's website to prevent "selective" open bidding;
- (iv) Based on 30 years business plan details, Point (i) and Point (iii), impact to tariff can be estimated.

Therefore, there will be **NO ROOM for build first and discuss tariff later** situation. **This is against WSIA model.**

SYABAS's claim on NO Capex

Capex (capital expenditure) approval is dependent on the State Government and SPAN. As a concession holder that refuses to restructure, **capex can be directly implemented via open tender by PAAB since WSIA is enforced beginning 1st January 2008.** SYABAS's primary job is to supply water and not to carry out capex. WSIA model does not allow water services licensees to be burden with capex works. So, why whine?

Members of public and businesses are not worried who supplies water. They are worried whether there is water supply or not. We hope all parties be matured and professional in handling this issue. AWER did publish and mailed a copy of ' National Water Services Industry Restructuring - The truth' report to all state assemblymen and members of parliament. Please read it before commenting on WSIA model!

Water for life. Water is NOT POLITICAL INVESTMENT!

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