

Penang's proposed water tariff hike to cut subsidies, CM says

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PBAPP chief executive officer Datuk Jaseni Maidinsa speaks to reporters during the press conference in George Town January 15, 2019. — Picture by Sayuti Zainudin

GEORGE TOWN, Jan 15 — Penang Water Supply Corporation (PBAPP) chairman Chow Kon Yeow today said the state government's proposal to increase its water rate is to reduce spending on subsidies for consumers within its borders.

Chow who is also Penang chief minister also said PBAPP has to revise the rates so it can increase its revenue.

"PBAPP paid a total domestic water subsidies of RM83.6 million in 2018," he said.

In comparison, PBAPP's net profit comes up to around RM30 million to RM40 million, which is less than half of the subsidies it was paying

Chow said the water company was spending more on subsidies annually due to increasing costs. In 2017, PBAPP sustained a total domestic water subsidy of RM79.6 million.

"We only aim to reduce the subsidies not to remove it entirely," he said.

"RM163.2 million in domestic water subsidies over two years is not sustainable because PBAPP needs sufficient funding to implement its water supply engineering projects for 2019 to 2021," he said.

Today is the second of a series of press conferences that Chow intend to hold to explain the state government's reasons for increasing water tariff rates.

Yesterday, he explained that PBAPP needed additional revenue as it planned to implement RM501 million worth of water supply projects over the next three years.

The projects included the third submarine pipeline from Butterworth to Penang island, the Sungai Perak Raw Water Transfer Scheme, upgrading of existing water treatment plans, reservoirs and pumping stations, laying of new pipelines and non-revenue water management.

Chow stressed that these projects were aimed at ensuring water supply sustainability and security in Penang so that there will not be any water rationing.

PBAPP chief executive officer Datuk Jaseni Maidinsa stressed that they needed to reduce the subsidy progressively to a manageable amount.

“We need to reduce the subsidy every three-year cycle by between 20 per cent to 30 per cent,” he said.

He said PBAPP needed to put in a third submarine pipeline as the first submarine pipeline, installed in 1973, is coming to the end of its design life.

“We can’t wait for it to be dead before putting in a new pipeline,” he said.

The project is already ongoing, at 16 per cent progress, and is expected to be completed by 2020.

He also explained that the removal of the water conservation surcharge (WCS) was a directive from the federal government.

“In the federal government’s review of water tariff mechanisms nationwide, we were told to get rid of the WCS and to collapsed the five bands for domestic water to three bands,” he said.

He said the first two bands were revenue for PBAPP to cover its expenses and capital expenditure (capex) while band three was for environmental charges and capex.

He added that the National Water Services Commission (SPAN) wanted all water supply operators to be free of subsidies in future but this has to be done in stages.

The Penang state government was heavily criticised, especially by their political opponents, for its plans to increase the water tariff rates.

Chow had earlier announced that the rate hike could be between 10 per cent to 20 per cent or more.

Currently, Penang’s water tariff rate is the lowest in the country, at only 32 sen per 1,000 litres for the first 35,000 litres per month as compared to the national average of 69 sen per 1,000 litres.