

14th September 2017

PRESS STATEMENT

by Dato' Ir. Jaseni Maidinsa,
Chief Executive Officer,
PBA Holdings Bhd (PBAHB) and
Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP)

DO NOT SPREAD MISLEADING INFORMATION ON WATER SUPPLY IN PENANG

PENANG, Thursday (14/9/2017): In view of recent allegations published in news reports, Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) would like to clarify the following facts:

1. There will be no water tariff increase in Penang this year because PBAPP is not applying for a water tariff increase in 2017.

Penang domestic consumers enjoy the lowest domestic water tariffs in Malaysia (at RM0.32 per 1,000 litres for the first 35,000 litres per month), which is 4 times lower when compared to the tariffs in Johor (RM1.31 per 1,000 litres).

2. We are awaiting approval for a water conservation surcharge (WCS) review that will only affect 23% of domestic consumers who use more than 35,000 litres per month.

The WCS is NOT a tariff review but a penalty that is only applicable to domestic consumers who use too much water at home. The WCS encourages domestic water conservation in Penang, and it is a "green" initiative to reduce wastewater discharges.

PBAPP's 2017 WCS review application was dated 28/4/2017. We are still awaiting approval from the National Water Services Commission (SPAN).

3. Penang's NRW percentage is the second lowest in Malaysia and PBAPP is working to reduce it further.
4. PBAPP is not facing any alleged "cash flow deficit".

77% OF PENANG DOMESTIC CONSUMERS PAY THE LOWEST TARIFFS IN MALAYSIA

About 77% of domestic consumers in Penang enjoy the lowest tariffs in Malaysia for consumption of up to 35,000 litres per month.

It is an indisputable fact that Penang's average domestic tariff of RM0.32 per 1,000 litres is the lowest in Malaysia,

(Please refer to Appendix A for a comparison of domestic water tariffs in Malaysia).

“NO WATER RATIONING” POLICY CAUSED PENANG’S NRW PERCENTAGE TO INCREASE. HOWEVER, PENANG’S 21.5% NRW IS SIGNIFICANTLY BELOW THE NATIONAL AVERAGE OF 35.2%.

Penang's NRW percentage (21.5%) is the second lowest in Malaysia in 2016. The only state that reported a lower non-revenue water (NRW) percentage was Melaka (19.0%).

The national average NRW percentage was 35.2% in 2016, as published in SPAN's website (www.span.gov.my).

NRW represents water that is lost due to pipe bursts, leakages, water theft, fire-fighting and inaccurate metering.

(Please refer to Appendix B for a comparison of NRW percentages in Malaysia).

Penang's NRW percentage increased by 3.2%, from 18.3% in 2014 to 21.5% in 2016. The increase is not due to any drop in operational efficiency.

It is related to the implementation of Penang's “NO WATER RATIONING” policy, implemented from 2014, to address the challenges of climate change and prolonged dry seasons.

There have been reported incidences of water rationing in the following states in Malaysia, in the period 2014 – 2016:

| | |
|------|---|
| 2014 | Johor, Kuala Lumpur, Negri Sembilan, Perak and Putrajaya and Selangor |
| 2015 | Johor and Negri Sembilan |
| 2016 | Johor, Kedah, Perak, Perlis and Selangor |

There has been no incidence of water rationing in Penang.

In the past 3 years, due to climate change, PBAPP has been pumping treated water at higher pressures from the Sungai Dua Water Treatment Plant (WTP) to ensure that there was no water rationing during the dry seasons and to meet increasing water demand.

However, pumping water at higher pressures caused smaller distribution pipelines, some of which are outdated, to burst or leak, resulting in higher NRW losses.

While NRW management is important, the No. 1 priority for PBAPP today is “no water rationing” in the face of climate change. That said, PBAPP is already implementing on-going NRW management solutions such as installing pressure reducing valves (PRVs) to implement pressure management. We are also implementing pipe replacement and meter replacement projects.

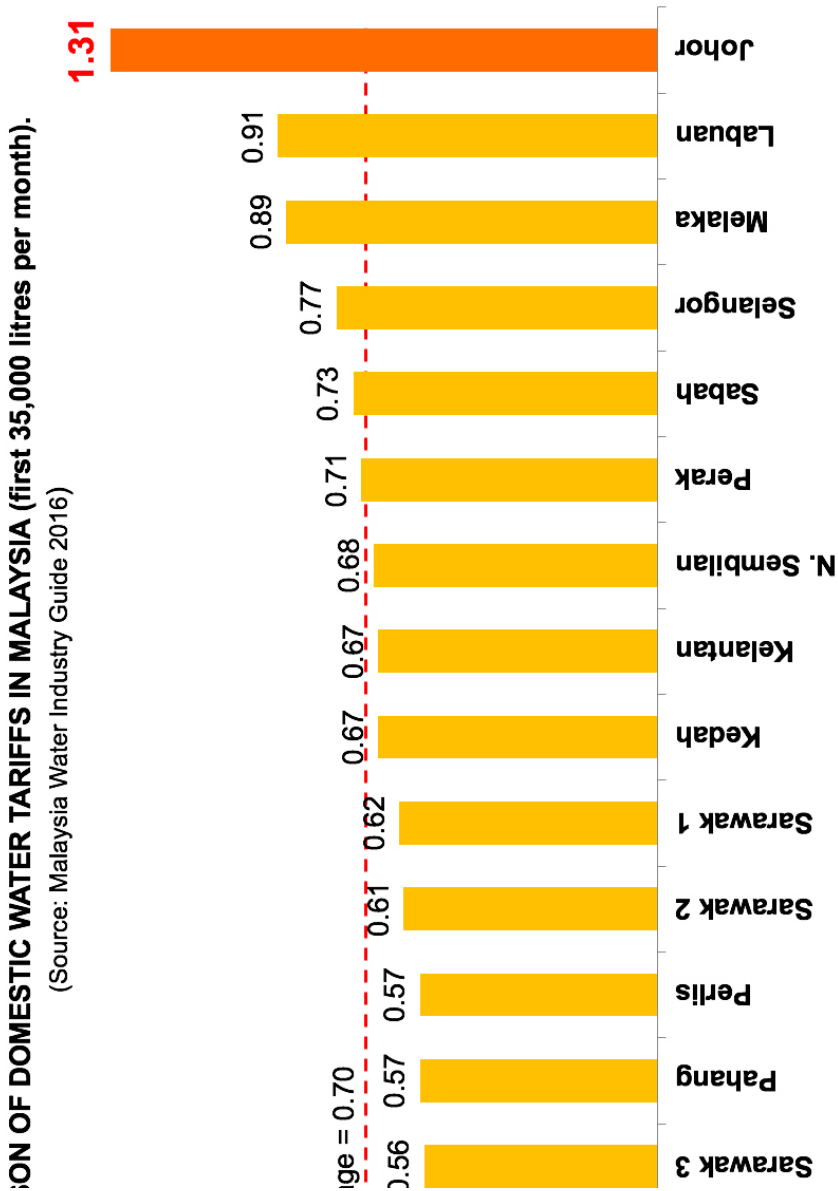
Please note that since PBAPP’s incorporation in 1999, Penang’s NRW has fluctuated between 16.9% and 23.9%. The 23.9% NRW percentage was recorded in 1999, during the tenure of the previous state government administration.

Thank You.

Dato’ Ir. Jaseni Maidinsa,
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Appendix A: Comparison of Domestic Water Tariffs in Malaysia



Appendix B: Comparison of NRW Percentages in Malaysia

COMPARISON OF 2016 NRW PERCENTAGES IN MALAYSIA.

(Source: SPAN - www.span.gov.my)

