

Penang to reduce water subsidies to pave way for price hike

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GEORGE TOWN: The Penang Water Supply Corporation (PBA) today said its water subsidies for households had become “unsustainable”.

As such, it was reducing it in accordance with the planned hike in water prices.

Penang Chief Minister and PBA chairman Chow Kon Yeow said the corporation had paid RM163.2 million in subsidies for the past two years — RM79.6 million in 2017 and RM83.6 million last year.

At a press conference in Bayan Baru today, he said the money spent on subsidies could be used to fund water supply projects to meet the island’s needs for the next 30 years.

Chow however said the increase in water prices would not see the subsidy removed completely.

However, he said the application to increase water rates and the reduction in subsidies would depend on the federal government’s approval.

At the same event, PBA CEO Jaseni Maidinsa said Penang’s water rates were “too low” and welcomed the federal government’s insistence to raise water prices.



*Penang Water Supply Corporation
CEO Jaseni Maidinsa.*

He said the corporation has been offering subsidies to water users since its inception in 1973, adding with increasing population, the subsidy payout had become unsustainable.

Jaseni said the National Water Services Commission (SPAN) has told all water operators to cut down subsidies by 20-30% over three years.

He said SPAN was also very strict with water operators on the quality of water and reduction of non-revenue water (water losses). These will be considered before operators' licences are renewed every three years.

He said the water industry in the country was heavily regulated to meet certain requirements.

"Every single sen we get is pumped back into improving water delivery and engineering projects," he said.

Jaseni said despite all the challenges over the years, Penang has the best reserve margins, or the amount of water on standby, at 35%. He claimed this was the highest in Malaysia.

He said as a result, Penang had avoided water rationing for many years, unlike other states.

On a different note, Jaseni said the current water mechanism in place was formulated by the previous federal government.

He said the system was good and the present government also agreed it was a good business model for water operators.

He said the current mechanism was being fine-tuned by the present government to ensure sustainability for water operators in the long run.

Earlier, Penang had announced that it would increase water rates by 10-20%, subject to SPAN's approval.

The average water demand for Penang was 826 million litres a day (MLD) in 2017. By 2050, Penang is expected to have a water demand of 1,884 MLD, or 128% higher than the 2017 figure.

Penang currently has the lowest average water bill at RM5.55 a month.

Penang has the highest use of water in the country, at 277 litres/capita/day (l/c/d) in 2017, compared to the national average of 201 l/c/d the same year.

Comparatively, Singapore recorded 143 l/c/d in 2017. The United Nations recommendation is 148 l/c/d.