

24<sup>th</sup> May 2016  
PRESS STATEMENT 2

**by Y.A.B. TUAN LIM GUAN ENG**  
**CHIEF MINISTER OF PENANG**  
**at the Press Conference after the 16<sup>th</sup> AGM of PBA Holdings Bhd.**

## **WATER SECURITY FOR A HIGH INCOME ECONOMY**

PENANG, Tuesday (24/5/2016): Penang needs sufficient water, 24/7, 365 days a year, to achieve its goal of becoming a high income economy.

Please let me make this clear: water supply sufficiency, or water security, is a non-negotiable requirement for a high income economy. No economy in the world can thrive without continuous good water supply.

The rationale is simple: people need water supply every day to live. Businesses need water supply every day to function. As such, we cannot hope to be a high income economy if we do not have enough water.

In 2015, Penang had achieved a GDP per capita of RM42,251.00. According to the World Economic Forum Human Capital Report, a high income economy is defined as one in which the GDP per capita reaches USD12,467.00.

Based on the USD1 to RM3.27 exchange rate in 2014, this threshold would have been RM40,841.00. So, we could have been defined as a high income economy in 2015.

However, the drop in the value of the ringgit in 2015, due to extraneous factors such as the 1MDB scandal, has inadvertently raised the bar for Penang to RM50,000.

So, Penang is not a high income economy yet. However, we are well on the way there, and we need to have water supply security to get there.

## PROJECTED WATER DEMAND

In 2015, PBAPP supplied an average of 1014.5 million litres of treated water per day (MLD) in Penang.

In 2040, our water demand is projected to reach 1696 MLD. By 2050, it will be 1884 MLD. This is according to the findings of an independent “Penang Master Plan Study for Potable Water until 2050”, commissioned by PBAPP in 2009.

Meanwhile, this CAT State Government is implementing projects aimed at sustaining and enhancing Penang’s status as a prime international hub for high-tech manufacturing, services, tourism and property ownership, such as:

- *the Gurney Wharf Project;*
- *the Penang Undersea Tunnel;*
- *the Seberang Prai Selatan Development Corridor; and*
- *the Penang Transport Master Plan.*

We will need sufficient water supply to complete these projects, as well as to meet Penang’s projected water demand in the future.

## ‘OVER-DEPENDENCY’ ON SUNGAI MUDA NOT SUSTAINABLE

Penang’s primary raw water resource is Sungai Muda, a river that defines the boundary between Penang and Kedah. PBAPP is currently drawing more than 80% of the raw water that Penang needs daily from this river, which is more than 1000 MLD or 1 billion litres.

Our high dependency on Sungai Muda as the ‘one and only’ raw water resource is not sustainable. Sungai Muda is a resource that we share with Kedah, and we abstract water downstream of Kedah. Moreover, the 2009 master plan study also revealed that Sungai Muda can only support Penang’s raw water needs until Year 2020.

As such, since 2011, the State Government and PBAPP have been requesting the Federal Government to implement the Sungai Perak Raw Water Transfer Scheme (SPRWTS) to tap a second raw water resource for Penang and Perak.

However, please note the following:

- a. The Federal Government has not moved on the SPRWTS proposal, other than to ask Penang to negotiate directly with Perak.
- b. Perak has told us that they only wanted to sell treated water.
- c. On 25<sup>th</sup> April 2016, the Kedah Government announced plans to build the RM650 million Naok Dam and the 23km Jeniang Transfer Project. ([www.bernama.com](http://www.bernama.com))
- d. On 3<sup>rd</sup> May 2016, the Perak Government announced a plan to build a RM300 million water channel linking Sungai Perak to the Bukit Merah Dam. (The Malay Mail)

## **A SUSTAINABLE SOLUTION FOR THE FUTURE**

Penang cannot afford a water crisis. We cannot wait for a water crisis. As such, we are adopting a 5-prong approach to create a sustainable water security solution for Penang's future:

1. We will continue to seek the implementation of the Sungai Perak Raw Water Transfer Scheme (SPRWTS) to tap a second raw water resource for Penang. Please let me reiterate the following:
  - The SPRWTS will benefit both Perak and Penang – two neighbouring states in the Northern Region. It is the “one solution for two states.”
  - In 2011, when Penang signed the agreements to migrate to the National Water Services Restructuring Initiative, or NWSRI, it was stated that the Federal Government is obligated to guarantee raw water supply for Penang.
  - Regional raw water resources should be protected, shared and optimised because it is indispensable for the success of the Northern Corridor Economic Region (NCER).

- According to the Department of Statistics, Malaysia, ([www.statistics.gov.my](http://www.statistics.gov.my)) Penang contributed to 6.5% of the Malaysia's GDP in 2014. Meanwhile, the Ministry of Finance ([www.treasury.gov.my](http://www.treasury.gov.my)) has published the estimated value of the Malaysian GDP in 2015 as RM1.063 trillion (at constant 2010 prices). As such, Penang can be said to have contributed an estimated RM69.9 billion in 2015. Based on the same 6.5% contribution, and the 2016 GDP projection (at constant 2010 prices) by the Ministry of Finance, Penang will contribute RM72.46 billion in 2016.

Both Perak and Penang need the SPRWTS to consistently contribute more to the national GDP and national development in the future.

2. Penang will continue to stand up for its riparian rights to abstract more than 1 billion litres of raw water per day from Sungai Muda.

We are not seeking to monopolise Sungai Muda. We just want to sustain Penang's capability to abstract sufficient raw water from this river, now and in the future.

As two states in one country, Kedah and Penang have equal rights to Sungai Muda. No party should try to take advantage of the other. The well-being of the people of Penang, and their prospects for the future, are at stake.

3. We will continue to cultivate a domestic water saving culture in Penang at all costs. We will do this through intensified public education, and if necessary, tariff reviews.

Penang's per capita domestic consumption was the highest in Malaysia at 291 litres/capita/day (l/c/d) in 2015, as compared to the national average of 210 l/c/d in 2014.

In view of the compelling water challenges that we are facing today, everyone must use water more wisely. This is a serious matter now because we need to protect our families' interests and our livelihoods, as well as our future.

4. Penang will explore and develop new raw water resources.

As Penang is a small state with limited rivers and catchment areas, PBAPP has been directed to propose alternative means of harvesting raw water for Penang, based on technologies such as desalination, rainwater harvesting and water recycling.

It is not that we do not wish to implement such technologies. The issue is high costs; and the potential burden on water consumers in the form of higher tariffs.

All viable proposals submitted by PBAPP will be carefully evaluated by the Penang State Executive Council. We will have to consider the priorities of both water availability and affordability.

5. We will seek Federal funding, as necessary and agreed upon, to implement raw water resource projects for Penang.

This is one of the key conditions in the agreements that Penang signed with the Federal Government when we migrated to the National Water Services Restructuring Initiative in 2011.

The bottom-line is that Penang has to sustain its raw water rights, manage its per capita domestic water demand, and tap a second raw water resource in the next 5 to 7 years.

Today, we live in an age of unpredictable climate change. The “rules” have changed. Penang needs to achieve water security for the benefit of a growing population of 1.663 million people and thousands of businesses today, and tomorrow.

Thank You.

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