

27th July 2017

PRESS STATEMENT

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

WITHDRAWN WATER TARIFF PROPOSAL IS A NON-ISSUE. PBAPP IS SEEKING A WCS REVIEW IN PENANG.

- **PBAPP is seeking approval for WCS review, and NOT a tariff review.**
- **The proposed WCS review is a water demand management initiative which is consistent with a directive from the Minister of Energy, Green Technology and Water for Penang to reduce domestic consumption.**

PENANG, Tuesday (25/7/2017): Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) is applying to the National Water Services Commission (SPAN) to approve its water conservation surcharge (WCS) in Penang. PBAPP is NOT presently seeking approval for a water tariff review.

PBAPP usually avoids commenting on “non-issues”, such as a withdrawn tariff review. As a subsidiary of a public listed company, we conduct our business professionally to avoid affecting the good name and public listing status of PBA Holdings Bhd (PBAHB), as well as its share pricing.

However, due to recent public remarks by the chairman of SPAN, YB Liang Teck Meng, PBAPP is compelled to step forward to clear the air as follows:

PBAPP does not agree with suggestions of a water tariff review. In June 2016, PBAPP submitted a 3-year business plan to SPAN as part of the procedure to renew its licence as Penang’s water supply operator.

After SPAN approved the business plan in December 2016, PBAPP submitted a proposal for a water tariff review to raise sufficient funding for proposed water supply capital expenditure (CAPEX) projects in Penang for the period 2017 – 2019.

Although PBAPP projected operational profits for the period 2017 – 2019, the amount of operational profits would not be sufficient to cover the projected CAPEX.

PBAPP has to continuously invest in CAPEX projects because of 3 key reasons:

- a. Penang's per capita domestic consumption was the highest in Malaysia at 286 litres/capita/day (l/c/d) in 2016 as compared to the national average of 210 l/c/d. It should be noted that domestic consumption accounted for 59.4% of the total water consumption in Penang in 2016. In other words, domestic consumers consumed more water than all the factories, hotels and businesses in Penang combined in 2016.
- b. PBAPP had been directed by the Penang State Government to avoid rationing at all costs.
- c. PBAPP has to implement water supply projects to stay ahead of projected future water demand related to projected socioeconomic growth in Penang.

However, in February 2017, the Penang State Government requested for PBAPP to withdraw its application for the tariff review after deciding not to impose a water tariff hike. The Penang State Government was willing to consider giving “soft loans” to PBAPP to finance its CAPEX instead.

In a letter dated 21/2/2017, PBAPP complied with the state government's directive and agreed to withdraw the application and informed SPAN. In a letter dated 25/4/2017, SPAN expressed its dissatisfaction with PBAPP's withdrawal of the water tariff review and queried PBAPP on how PBAPP would finance its CAPEX projects. SPAN asked that the water tariff review be considered. PBAPP replied in a letter dated 11/5/2017 that it would implement its projected CAPEX by acquiring loans from the Penang State Government.

PBAPP's WCS Review Application

Meanwhile, on 28/4/2017, PBAPP submitted an application to review Penang's water conservation surcharge (WCS) on domestic users from RM0.48 to RM1.00 per 1,000 litres, only for consumption above 35,000

litres per month. WCS is imposed and doubled in charges to penalise those who waste water to help reduce water consumption instead of increasing water tariffs on all consumers.

It should be noted that the WCS review will not affect 77% of domestic consumers in Penang because they consume less than 35,000 litres of water per month. In other words, the WCS review will not affect 3 out of every 4 domestic consumers in the state.

As such, the WCS review is not a water tariff review. Moreover, domestic consumers have the option to avoid paying the WCS by simply consuming less than 35,000 litres of water per month.

SPAN has expressed doubts about the effectiveness of WCS in reducing water consumption, and in their letter dated 23 June 2017 reiterated their suggestion to increase water tariffs.

Summary and Conclusion

The bottom-line is that there has been no water tariff review in Penang in 2017, and PBAPP is no longer applying for a tariff review in 2017.

In spite of various comments, remarks and allegations, the fact remains that PBAPP continues to bill the lowest water tariffs for domestic consumption of up to 35,000 litres per month, as shown in “Appendix A”. Other states charge significantly more.

PBAPP is gravely concerned the SPAN Chairman is breaching his statutory duty by violating the legal requirement for confidentiality.

PBAPP has agreed to accept the Penang State Government’s plan to offer domestic consumers in Penang “one last chance” to reduce domestic water consumption in 2017, so as to conserve water and avoid water rationing. We hope to reduce RM91 million in domestic water subsidies that could be re-allocated towards important CAPEX projects for the future funded by PBAPP to allow Penang’s domestic consumers to enjoy the lowest water tariff in Malaysia.

As such, we are only seeking SPAN’s approval for a review of the WCS. PBAPP would like to reiterate that the proposed 2017 WCS review is a water demand management initiative which is consistent with a directive from the Minister of Energy, Green Technology and Water for Penang to



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reduce domestic consumption.

Thank You.

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