

# Careful planning needed for water supply privatisation

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## Comment

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THE Government is now looking into ways on how best to reduce its financial burden to ensure better management of the nation's water resources while at the same time providing more efficient services to consumers.

One of the options under active consideration is to privatise the distribution of water to the public and this will relieve the Government of a heavy load. However, this is a subject viewed with concern by consumers due mainly to the cost factor.

It has been the experience that after privatisation, particularly of an essential service, the rates will go up because it will be in private hands and therefore no longer under government control except when it comes to the corporation wishing to charge more for taking over this responsibility.

Unlike the Government, a company will have to make money before it is prepared to undertake any new venture or to take over an entire operation from the public sector. It cannot be expected to lose money in the process or the project will not be viable for very long.

With the Mahathir Administration's track record, the chances are good that the management of water will be privatised in the near future. This means that the new entity taking over this important job will have to ensure that the supply and distribution of this scarce resource will not be disrupted, irrespective of weather conditions.

Since going private is almost inevitable, it will be necessary for the Government to look into one important point and that is the new owner. It will of course be tempting to hand over the whole project to just one company to manage.

However, it may be better to split the whole country into several regions with one corporation looking after just one sector. If just one operator is given this task, it is going to be very heavy financially on this group as tens of billions of ringgit will be

required to both maintain and distribute water to consumers.

The public has often been told that as much as 50% or more of the pipes are in need of urgent replacement and this can add up to tens of thousands of kilometres for the whole country. Such pipes and other equipment are not cheap and therefore whoever undertakes this task will need to borrow a lot of money even though the Government is likely to chip in with an initial grant as well as interest-free loans.

So if the Government can split this project into smaller parcels, then the financial burden of each operator will be smaller and more manageable. The scheme is therefore just too costly for one operator to manage with the strong possibility of getting into financial difficulties later on.

One reason for privatisation is supposed to result in more efficient services to the consumers. Private operators are believed to be more capable in carrying out this task as it is customer-oriented, something very much lacking in a public enterprise.

However, this is highly arguable as employees in the private sector will no doubt be ready to take things easy as their counterparts in the government service. The only difference separating the two is that employers in the private sector are prepared to take disciplinary action against employees who do not perform.

This includes suspension and habitual offenders are likely to face the sack as well. Government workers have no such fear as it is extremely difficult for them to be sacked for poor performance or low productivity. Once their jobs are at stake, then they should undergo a dramatic change overnight.

No significant change therefore should be expected from those workers whose agencies have been privatised. If the same employees are to be absorbed in the privatised entity, they are likely to perform their duties the same way they have been doing for years as civil servants.