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S'pore-Water

S'PORE SAYS IT WILL CHALLENGE "RIGHT" TO PRICE REVIEW

SINGAPORE, Oct 31 (Bernama) -- Singapore says it will have to challenge every aspect of Malaysia's "claims" that it has the right to a price review under the 1961 and 1962 Water Agreements.

"We reiterated our position that Johor should have invoked the review clauses in 1986 and 1987 and that Johor has lost its right of review.

"If Malaysia insists on a review outside the package, Singapore will have to challenge every aspect of Johor's claims," Foreign Minister S. Jayakumar said in Parliament today.

Malaysia, he said, insisted that Johor had not lost its right of review and that the matter of price revision be discussed between both sides but not as part of the bilateral package.

The minister noted that the price revision of water under the two agreements do provide for a review after 25 years, and repeated the government's position that if Malaysia wanted a price review, this should have been undertaken in 1986 and 1987.

On the supply of future water, Malaysia, he said, indicated that "the detailed discussions (on a new water agreement) should be undertaken two years before the expiry of the 1962 Agreement."

"For Singapore, a key element of the package is the long-term supply of water. To say that we should talk about this issue only in 2059 was not realistic and showed that they were not being serious," he said.

Updating the House on the senior officials meeting on Oct 16-17 in Johor Baharu, he said that Malaysia was only prepared to engage in discussions on the review of current raw water, "as evident from the wording of their agenda and banner."

At this meeting, he said, Malaysia presented the same pricing formula for current water as at the Second Ministerial Meeting on Sept 2-3 in Singapore, that is the price of raw water today as the average cost of desalinated water and Newater less the treatment cost in Johor.

"We took the position that Malaysia had lost its right of review, and even if Singapore was willing to consider such a review, it would have been based on the express provisions/factors listed in the review clauses."

Jayakumar said that the Malaysian side could not justify their pricing formula for current water under the review clauses in the existing Water Agreements.

"We reminded the Malaysians that the provisions in the Agreements allow for a price review using the rise/fall in the purchasing power of money and the rise/fall in the cost of labour, power and materials for the purpose of supplying the water, and there are no provisions for retrospective payments."

Elaborating further, the minister said that since the Singapore Public Utilities Board (PUB) incurred all these costs, the only relevant factor is the change in the purchasing power of money.

"Using the MCPI (Malaysian Consumer Price Index), we calculated that revised price of raw water would be no more than 12 sen per thousand gallons. But we made it very clear that the 12 sen was not an offer but a calculation based on the review clauses," said Jayakumar.

The Malaysian side, he said, asked if Singapore could consider going beyond the figure of 12 sen. "They pointed out that Singapore had previously offered 45 sen. We said Singapore could not go beyond the review clauses and we had no leeway to make any concessions because the package is

off due to PM Mahathir's letter of Oct 7."

On treated water, he said that Singapore informed Malaysia that "if we applied the MCPI to the review of price of treated water, we would get a figure around RM2 per thousand gallons. Again, we made it clear that this was not an offer. It was our calculation going by the terms of the review clauses."

On future water that is post-2061, the minister said that the Malaysians were not interested or serious in wanting to have any detailed discussions.

"They (Malaysians) continued to take the position that both sides could discuss the issue two years before the expiry of the 1962 Agreement. We stressed that this was not a realistic proposal.

"Our position is that current water and future water are linked and we cannot discuss price review of current water now and future water only in 2059," he said.

He said that it was difficult for Singapore to agree to Malaysia's proposal because the island state needed to plan its long-term water needs well in advance.

Singapore, he said, would need to work out in detail the complex issues involved with regard to a future water agreement including water demand management, capacity building and technological advances.

On the question of legal right, he said: "We have been advised that they (Malaysia) do not have a legal basis. I do not want to go into all the legal arguments. But let me say that we have taken legal advice."

"That is why we maintain that they have lost the legal right. And even if they have the right to review the water price now, there is no legal basis in the Agreements to backdate it. We also added that if there were to be any review, it must logically also cover treated water.

"Our position on price review is clear. Malaysia has lost its right of review. If Malaysia claims that it has the right to now invoke the review clauses, we will contest it," said Jayakumar.

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