

High stakes in 'Selangor water crisis', as both sides woo voters
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KUALA LUMPUR, July 21 - The ongoing blame game and struggle for control of water resources in the country's richest state of Selangor has thrown a spotlight on how much money is at stake in the strategic industry and is potentially another example of Mahathir-era privatisation gone wrong.

It could also tilt the balance in the battle for both Selangor and Kuala Lumpur depending on who voters ultimately blame for any cuts in their water supply. Pakatan Rakyat (PR) parties rule Selangor and control 10 out of 11 parliamentary seats in the Federal Territory.

This comes after residents of Selangor and the nation's capital Kuala Lumpur got a rude shock last week when the state's sole water distribution company Syabas said that it might have to start water rationing due to near zero reserves at the state's water treatment plants.

Critics of Syabas and its parent company Puncak Niaga were quick to question whether the water crisis was "manufactured" and a ploy to hasten construction of the RM3.6 billion Langat 2 water treatment plant which they speculate Puncak Niaga would be eyeing to operate.

And while the state, private water concessionaires and the federal government play the blame game over the purported impending water shortage, the war of words has left Selangor and KL residents worrying about their water supply which could become an election issue depending on who they believe is responsible for any cuts.

Many have bitter memories of 1998 when thousands had to queue up with pails at water trucks despite the state's many gushing rivers dumping water into the sea.

If voters believe the state is to blame over the stalemate of the restructuring of the state's water resources, then Barisan Nasional could gain an advantage in its quest to recapture the state.

If they believe the federal government and the Umno linked concessionaires are playing hard ball at the expense of consumers however, Barisan Nasional could find itself facing additional headwinds in its efforts to recapture Shah Alam.

Puncak Niaga, which operates the vast majority of Selangor's water treatment plants - 29 out of 34 - is about 40 per cent owned by Tan Sri Rozali Ismail, who is Selangor Umno treasurer and Malaysia's 31st richest man according to Forbes.

It owns 70 per cent of Syabas, with the Selangor government holding the remaining 30 per cent, giving the Umno leader significant control over the treatment and distribution of water in the Pakatan Rakyat held state.

Puncak Niaga and Syabas have also reportedly held out for more money from Selangor, rejecting two offers from the state as too low, including a RM9.2 billion offer to buyout the two companies as well as two other concessionaires Splash and Konsortium Abbas despite the latter accepting the offer.

Charles Santiago, coordinator for the Coalition Against Water Privatisation (CAWP) and a member of DAP claimed that the privatisation of water has ended up being a "disaster".

He added that water used to bring in RM40-50 million in income to the state before it was privatised in the 1990's.

He also reportedly questioned if the push for the Langat 2 was aimed at generating more revenue for Syabas.

"Are the companies manufacturing a crisis for projects? Did the federal government promise operations and management of Langat 2 to Syabas?" asked Santiago.

S. Piarapakaran, of the Association of Water and Energy Research Malaysia (AWER) said that water should not be about private interests.

"The water industry should be socio-economic not profit based," he said.

The debate over water shortage could be partly due to a clash between public and private interests.

About 30 per cent of treated water in Selangor is wasted or NRW (non-revenue water) which the Selangor government has used as leverage over Syabas to deny them the right to raise tariffs that purportedly cost the latter hundreds of millions of ringgit in revenue.

The state also froze capital expenditure a move which Puncak Niaga has blamed for the lack of repairs of leaky pipes which meant continued wastage.

"This (capital expenditure freeze) has in effect crippled our plans to refurbish, rehabilitate and enhance water distribution infrastructure in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya and is especially worrying given the ever-increasing demand for treated water in the nation's most populous area and the fast-growing probability of a water shortage," said Puncak Niaga in its 2011 Annual Report.

Energy, Green Technology and Water Ministry water sector senior division secretary Sutekno Ahmadbelon reportedly said that it would be better to invest in Langat 2 as it would cost RM7.2 billion to reduce NRW from 32.3 per cent to 20.8 per cent which would "only" provide an extra 500 million litres per day (MLD).

Langat 2, which is part of the RM8.9 billion Pahang-Selangor Raw Water Transfer project, would be able to bring in 1,130 MLD.

Santiago however argued that the cost of building Langat 2 would ultimately be borne by consumers.

He also noted that Syabas' was the only one with figures on water supply in the state and suggested that external auditors be allowed to do an independent verification of the figures.

Attempts to reach Rozali via calls to his mobile phone and text messages were unsuccessful as at press time.

Meanwhile industry observers suggested one way to avert a water shortage was to ensure the state's distribution system was fully linked up and could function like a grid so that treatment plants with excess capacity could pump out water to where demand was higher.

A look at Puncak Niaga's 2011 annual report showed that some plants were operating above capacity and some under capacity.

The Sungai Selangor Phase 2 ("SSP2") plant's average daily production increased to 958.68 million litres from 954.28 million litres in 2010 which exceeded SSP2's daily design capacity of 950 million litres.

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