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Chow says Penang would delay water rate hike until mid-2026



GEORGE TOWN, July 8 — The Penang Water Supply Corporation (PBAPP) plans to delay the implementation of a proposed water tariff increase for at least six months, should it be approved by the federal Cabinet, said Chief Minister Chow Kon Yeow.

Chow, who is also the PBAPP chairman, said the move would cost the state RM40 million.

“We do not want to implement it early next year; we hope to delay it to the middle of next year,” he said at a press conference today, after the launch of PBAPP’s new RM5 billion Islamic Medium-Term Notes (IMTN) Programme (sukuk).

He explained that this initiative is part of a broader strategy to fund its infrastructure projects, especially those under the Water Contingency Plan 2030 (WCP 2030), without relying solely on tariffs.

“Today’s ceremony represents another option to fund our capital and operational expenditure,” he said, noting that the company is diversifying beyond bank loans and water tariffs.

“We are also looking at other measures such as privately funded initiatives (PFI) to select contractors under a ‘build, operate, and transfer’ (BOT) model, so we do not need to raise upfront funds for that project.”

He added that while Pengurusan Aset Air Berhad (PAAB) will finance some projects, the assets will be leased back to PBAPP over 45 years, requiring repayment.

“Whatever the option, we still need to pay back, even if we go for BOT,” he stressed.

The newly launched RM5 billion IMTN Programme was established in collaboration with Maybank Investment Bank and United Overseas Bank (Malaysia) Berhad.

Based on the Shariah-compliant Sukuk Wakalah structure, it will allow PBAPP to raise medium to long-term financing through the Malaysian capital markets.

Chow said PBAPP initiated discussions on the sukuk programme three years ago.

“That’s a strong vote of confidence from some of Malaysia’s top banks — Maybank and UOB — who have come on board as joint principal advisers, lead arrangers, and lead managers,” he said.

The core purpose of the programme is to raise funds for key water projects under the WCP 2030, reducing PBAPP’s reliance on government loans and grants while establishing a scalable platform for future infrastructure financing, Chow said.

“This IMTN will offer Malaysians another way to invest in PBAPP beyond just buying PBA Holdings Bhd (PBAHB) shares,” Chow noted.

He clarified that the full RM5 billion credit limit would not be drawn down at once. “Just because the credit limit is up to RM5 billion doesn’t mean PBAPP will suddenly issue RM5 billion worth of notes overnight,” he explained.

“The first issuance, planned for later this year, will be for a much smaller amount. The actual figure will depend on what’s needed for specific projects.”

The first project to be financed under this programme will be the Mengkuang Dam water treatment plant, he added.

PBAPP’s Sukuk programme has been assigned the highest credit rating of AAA/Stable by RAM Rating Services Berhad, while its Sustainable Finance Framework was awarded a “Gold” rating by RAM Sustainability Sdn Bhd.