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Revised water tariff crucial to fund critical infrastructure projects, says Penang CM

BUTTERWORTH: The revised water tariff in Penang was necessary to ensure the state's long-term water security after its implementation was deferred for nearly a year, says Chief Minister Chow Kon Yeow.

Chow said the Federal Government and the National Water Services Commission (SPAN) had gazetted the new tariff on July 30 last year, with several states already implementing the revised rates.

"Penang could have enforced the new tariff in August last year, but we decided to defer it until July 1.We have already postponed it for almost a year," he told reporters during Jelajah CM Chow programme here on Friday (July 17).

He said the additional time was given to ease the burden on consumers, but the revision could not be delayed indefinitely as the state water operator needed sufficient revenue to finance critical infrastructure projects.

"The projects undertaken by the state and the Penang Water Supply Corporation (PBAPP) involve close to RM2bil. This does not include the multi-billion-ringgit agreement we recently signed with Perak to secure additional raw water supplies.

"So, how can a water operator finance these capital expenditure projects to strengthen our water supply system?" he said.

Chow said the revised tariff was expected to generate only about RM20mil in additional annual revenue, but stressed that the amount remained crucial. "Even though the additional revenue is only around RM20mil, it is still important to help finance the works that need to be carried out.

"If we do not have sufficient funds or surplus from water sales, we will have to borrow from banks. We have obtained approval to issue bonds in the coming years, subject to requirements.

"If our annual returns are not healthy and we do not have a surplus, our credit rating will be affected. It may become more difficult to obtain financing, or we may have to borrow at a higher cost," he said.

Chow said water tariff reviews were determined under a mechanism set by SPAN, which allows water operators nationwide to apply for tariff revisions every three years based on operating costs, capital expenditure and planned projects.

"If we continue delaying every review, we will not be able to keep pace with rising costs over the years. Eventually, the gap will become too wide," he said. He noted that the actual cost of producing and supplying treated water had already exceeded RM1 per cubic metre, while the revised domestic tariff remained at only 65 sen per cubic metre.

"In reality, domestic consumers are still paying below the cost of water production. The difference is subsidised by non-domestic users, namely industries and commercial businesses, which pay higher rates," he said.

Chow said the state hoped consumers would understand the need for the revision, adding that the matter had been explained previously in the Penang State Legislative Assembly and that the implementation had already been deferred for almost a year before taking effect on July 1.

Bagan MP Lim Guan Eng has urged the state government to postpone a planned 20 sen per cubic metre water tariff increase for another one year.

In a letter dated July 1 to Chow, Lim appealed for the hike to be deferred, citing public concerns over rising living costs and economic pressures.

He said Lim Guan Eng has urged the Penang government to postpone a planned 20 sen per cubic metre water tariff increase for one year.

He said increase, would affect households and businesses already facing higher costs. Under the new rates, which takes effect from July 1, consumers using 20,000 litres or less per billing cycle will pay 65 sen per 1,000 litres, up from the current 62 sen.

https://www.thestar.com.my/news/nation/2026/07/17/revised-water-tariff-crucial-to-fund-critical-infrastructure-projects-says-penang-cm