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PRESS STATEMENT

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PBAHB'S SUCCESS DRIVEN BY PBAPP'S OPERATIONAL EFFICIENCY

- **Penang's average domestic water tariff for the first 35,000 litres per month is RM0.32 per 1,000 litres, the lowest and the most 'people-friendly' domestic tariff in Malaysia.**
- **Penang's average trade tariff for the first 500,000 litres per month is RM1.36, which is lower than the national average of RM1.74.**
- **Good 2016 financial result reflects PBAPP's operational efficiency because water tariffs in Penang are relatively low.**

PENANG, Monday, 20/3/2017: PBA Holdings Bhd (PBAHB) recorded healthy profits in 2016 due to operational efficiency of its wholly owned subsidiary, Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP).

On 17/3/2017, NST published a news story (online and in print), quoting the BN Communications Team as stating that PBAHB "was able to announce a big 63% jump in net profit after the Penang Government raised water rates by 16.7% (in) 2015 on top of two other water rate increases in 2010 and 2013, giving the excuse that this will encourage consumer(s) to use water wisely."

We would like to clarify the following:

- a) In 2010, PBAPP reviewed trade water tariffs in Penang and introduced the first Water Conservation Surcharge (WCS) of RM0.24 per 1,000 litres, only for domestic consumption above 35,000 litres per month.

However, 70% of Penang domestic consumers used less than 35,000 litres of water per month. They were NOT affected by the introduction of the WCS and the trade tariff review in 2010.

- b) In 2013, only the WCS was reviewed to RM0.48 per 1,000 litres, only for domestic consumption of more than 35,000 litres per month.

Since all trade consumers were not subject to the WCS, they were NOT affected by this exercise.

70% of all domestic consumers who used less than 35,000 litres per month were also NOT affected by the 2013 WCS review.

- c) In 2015, PBAPP reviewed trade water tariffs in Penang and domestic tariffs for consumption above 20,000 litres per month.

47% of domestic consumers were NOT affected by the 2015 tariff review.

The following facts and figures reflect the 'nett results' of the 2010, 2013 and 2015 reviews:

- THE MOST 'PEOPLE-FRIENDLY DOMESTIC TARIFFS IN MALAYSIA

Penang's average domestic tariff for the first 35,000 litres per month is RM0.32 per 1,000 litres.

The average national tariff for this category of domestic consumption is RM0.70, or about 118% higher.

States that charge significantly more than Penang for this category of domestic consumption include Johor (RM1.05), Sabah (RM0.90), Labuan (RM0.90), Selangor (RM0.77), Melaka (RM0.75), Perak (RM0.73), Negri Sembilan (RM0.68) and Kedah (RM0.67).

PBAPP's cost to sustain Penang's 'people-friendly' domestic tariffs in 2016 amounted to RM91 million in domestic water subsidies. Please note that about 77% of Penang's domestic consumers used less than 35,000 litres per month in 2016.

In other words, 388,388 of Penang's 504,400 registered domestic consumers benefited from PBAPP's domestic subsidies last year.

- **COMPETITIVE TRADE TARIFFS**

Penang's average trade tariff for consumption of the first 500,000 litres per month is RM1.36 per 1,000 litres.

This is a competitive average trade tariff. The national average is RM1.74, or about 28% higher.

States that bill more than Penang for this category of trade consumption include Johor (RM2.93), Selangor (RM2.27), Melaka (RM1.80), Perak (RM1.60), Negri Sembilan (RM1.59), Pahang (RM1.45) and Kedah (RM1.40).

OPERATIONAL EFFICIENCY

Despite PBAPP billing the lowest domestic tariffs in Malaysia and trade tariffs that are below the national average, PBAHB recorded a profit after tax (PAT) of RM61.9 million for 2016.

This good financial performance is the result of operational efficiency.

The 5 key factors that contributed to the result were:

1. No water rationing in Penang. While other states imposed rationing, due to the 6-month Super El Niño phenomenon and raw water pollution, PBAPP supplied and billed for water efficiently, 24/7, throughout the year.
2. A 2.0% increase in overall water consumption.
3. A 2.2% increase in trade consumption that contributed higher revenue.
4. The 12-month impact of the 2015 water tariff review in 2016 as compared to an 8-month impact in 2015 (the review came into effect on 1/4/2015).

5. Reinvestment allowances that provided PBAHB with about RM7.1 million in corporate tax refunds.

As such, it is incorrect to infer or suggest that PBAHB's PAT in 2016 was due to high water tariffs in Penang arising from water tariff and WCS reviews.

The majority of Penang's domestic water consumers are, in fact, enjoying the lowest domestic tariffs in Malaysia.

USING WATER WISELY

In the period 2000 – 2010, the per capita domestic consumption in Penang increased from 255 litres/capita/day (l/c/d) to 291 l/c/d. This represents an increase of 36 l/c/d or 3.6 l/c/d per year. Based on this trend, the projected l/c/d for 2016 would have been 312.6 l/c/d without any intervention.

However, PBAPP introduced the WCS in 2010 and reviewed the WCS rate in 2013. The trend of increasing per capita domestic consumption was arrested, and successfully reduced to 286 l/c/d in 2016.

As such, Penang's water demand management initiatives are real-world initiatives that are showing positive results, not 'excuses'.

Thank You.

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