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Media Release

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## **SUNGAI MUDA: WHO WILL STOP KEDAH'S "INDEPENDENT" ACTIONS?**

PENANG, Thursday, 8.4.2021 : The Federal Government should step in to prevent the Kedah Menteri Besar (MB) from taking "independent" actions that threaten water supply services in Penang and the Northern Corridor Economic Region (NCER).

Federal and State laws exist to define the rights of Penang and Kedah vis-à-vis Sungai Muda.

In the eyes of the law, the Kedah MB has no legal standing to demand payment from Penang. There should be no doubt that if he had any grounds to demand payment, he would have taken Penang to court.

Penang did not create this Sungai Muda dispute. In fact, Penang has never questioned Kedah's riparian rights to abstract water from Sungai Muda.

On the other hand, the Kedah MB has been publicly threatening Penang in order to demand payment. Of late, he has stirred up muddy waters by announcing new infrastructure projects in Kedah that he claimed would "throttle" the availability of raw water from Sungai Muda for Penang.

Will the Federal Government allow the Kedah MB to "independently" jeopardise water supply security in Penang? If he is allowed to do so, the Penang State Government and PBAPP will have no choice but to initiate actions to "defend" water supply for 1.776 million people and all the businesses that operate in Penang at all costs.

## **Ulu Muda and Sungai Muda: a NCER perspective**

Logging and mining for rare earth elements (REE) in Ulu Muda (the water catchment area for Sungai Muda) were issues raised by the Kedah MB, from 2020.

Penang and Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) have stated that the 163,000 hectares of rainforests in Ulu Muda must not be exploited for quick but unsustainable gains. Instead, Ulu Muda should be properly conserved and legally protected as an irreplaceable raw water resource in the Northern Corridor Economic Region (NCER).

We have repeatedly mentioned that Ulu Muda collects raw water for 3 NCER states: Perlis, Kedah and Penang. As such, Ulu Muda must be regarded as a NCER issue. The negative socioeconomic impacts of Ulu Muda's destruction (by logging and potential REE mining) will not only be "felt" in Penang, but in Perlis and Kedah as well.

### **Socioeconomic and Covid-19 recovery "fallout"**

From both social and economic standpoints, water supply for the people and all the businesses in Perlis, Kedah and Penang must always be prioritised above logging and REE mining.

The reasoning is simple:

- The well-being and welfare of 4.2 million people in 3 NCER states is more important than potential earnings or royalties due for logging and REE mining.
- The combined GDP contributions of Perlis, Kedah and Penang, estimated to be RM147.8 billion in 2019, is significantly more than revenue from logging and REE mining.
- The Federal Government is focusing on mass Covid-19 vaccinations to enable prompt socioeconomic recovery. Water supply is a critical requirement for socioeconomic recovery. Logging and potential mining in Ulu Muda will undermine water supply security in 3 NCER states.

Perlis, Kedah and Penang, like all other Malaysian states, are currently striving to get on the road to recovery from the Covid-19 pandemic. As such, a water crisis in the NCER, at this point in time, will quickly escalate to become a national health and economic crisis as well.

The following table shows the breakdown of pre-Covid-19 GDP contributions from Perlis, Kedah and Penang in 2019, as well as estimated Federal tax revenue from the three states:

States	Estimated GDP contribution 2019*	Estimated Federal tax revenue 2019**
1 Perlis	RM 6.2 billion	RM 0.7 billion
2 Kedah	RM 46.9 billion	RM 5.2 billion
3 Penang	RM 94.7 billion	RM10.5 billion
Total	RM147.8 billion	RM16.4 billion

Penang, by itself, accounted for an estimated RM94.7 billion in GDP contribution and an estimated RM10.5 billion in Federal tax revenue in 2019.

If Penang's water supply is jeopardised, the people of Penang will suffer. The operations of all businesses, including that of the multinational corporations (MNCs) which have operated here for decades, will be affected. Accordingly, the Federal Government stands to lose billions in Federal tax revenue, as well as potential foreign direct investments (FDI), if there is a water crisis in Penang.

Moreover, if Ulu Muda and Sungai Muda are compromised, the Federal Government also stands to lose billions more in Federal tax revenue from Perlis and Kedah.

### **Kedah's "perplexing" reluctance to seek Federal compensation**

The Kedah MB is reportedly seeking RM100 million a year to conserve and protect Ulu Muda.

In 2019 alone, the Federal Government collected an estimated RM16.4 billion in tax revenue from Perlis, Kedah and Penang. And yet, the Kedah MB has not publicly sought compensation from the Federal Government for conserving and protecting Ulu Muda for the benefit of 3 NCER states.

There has been no explanation as to why Kedah is reluctant to seek Federal compensation.

Surely, the Kedah MB is aware that a very high percentage of taxes paid by the people and businesses in Kedah are payable to the Federal Government. The same Federal tax scenario is applicable in Perlis and Penang.

Thank You.

Sources:

\* Perlis, Kedah and Penang Socioeconomic Reports 2019, Department of Statistics Malaysia (DOSM)

\*\* "Tax revenue constitutes 11.1% and non-tax revenue 4%, as percentage of GDP."

<https://www.thestar.com.my/business/business-news/2020/11/06/fiscal-policy-2021-highlights>

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