WSIA 2006
Progress & Outcomes

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NATIONAL WATER SERVICES COMMISSION

MALAYSIA WATER RESOURCES MANAGEMENT FORUM 2014
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INDUSTRY BACKGROUND

Before the reforms

Beginning of the journey

Before WSIA (before 2008)

Managed by the ***State Government***

Amendments to Federal Constitution

- **Water services** by ***Federal Government***
- **Water resources** by ***State Government***

Water Operators	Mix of state water departments, corporatized water boards and privatized concessionaires
Legislation	Each state enforced its own enactment
Standards	Different levels of service standards and materials
CAPEX Investment	Government loans and/or Short to medium term Commercial loans – not sustainable
Sewerage Infrastructure	Since the 1970s, private sector has been the prominent developer of sewerage systems while Government only implemented central sewerage systems in selected cities/towns with a population of >100,000
Privatization of sewerage services	Privatized to IWK in 1994 but taken over by Government in 2000. More than 8,800 systems taken over by IWK and another 3,000+ operated by premise owners

Low tariffs and unable to address funding and efficiency issues

Water Services Industry Reforms

Creation of 2 Acts

WSIA 2006	• to govern the water services industry from treatment of raw water to discharge of waste water
SPAN Act 2006	• to establish a national regulator for the water services industry

Water Services Industry Reforms

1. efficient and effective delivery system to meet the rising aspirations of the people
2. long term availability and sustainability of water supply including the conservation of resources

Water Reforms

- Put in place a **clear policy** and **legal framework** for the water services industry
- Provide development of **capital works** to meet demand requirements
- Increase **efficiency** and **effectiveness** in service provisions by licensees
- Promote **transparency** and effective **participation** from stakeholders

National Water Resources Policy

- Policy Statement

  "The security and sustainability of water resources shall be made a national priority to ensure adequate and safe water for all, through sustainable use, conservation and effective management of water resources enabled by a mechanism of shared partnership involving all stakeholders"

- Principles of National Water Resources Policy:
  - Water resources security
  - Water resources sustainability
  - Collaborative governance

Source : Ministry of Natural Resources and Environment

WATER SERVICES INDUSTRY – PROGRESS & OUTCOMES

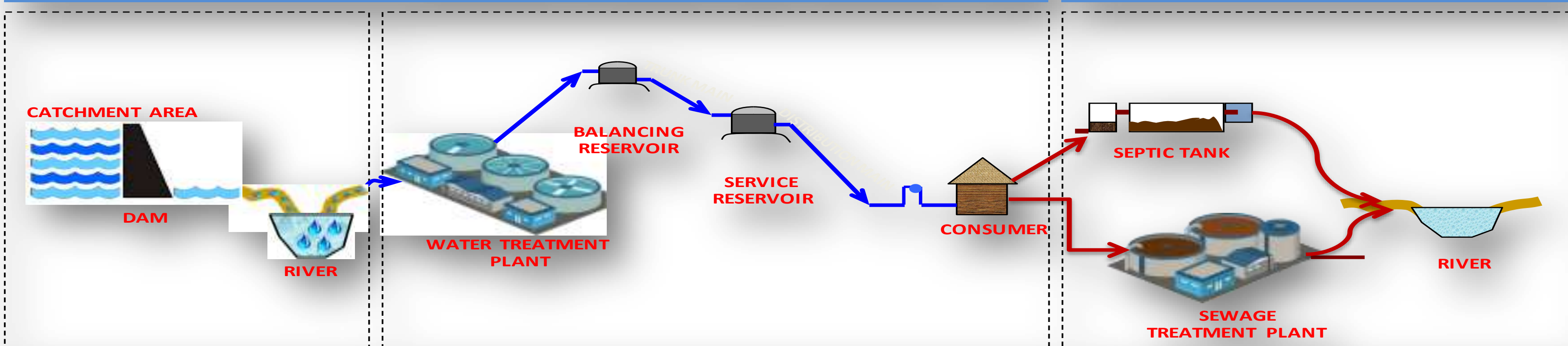
Industry Regulated Under WSIA 2006

FEDERAL CONSTITUTION (amended and gazetted on 10 Feb 2005)		
• Water Services Industry Act (WSIA) • National Water Services Commission Act (SPAN)	• Federal Laws On Environment, Building, Health etc • Federal Departments	• State Water Enactment (raw water) • State Water Department
Governing water industry services	Governing environmental, building, health	Governing water basin, extraction and conservation of raw water supply

WSIA does not affect general applications of existing laws on environment quality and land matter and **existing state powers on water source**

Value Chain of Water Cycle

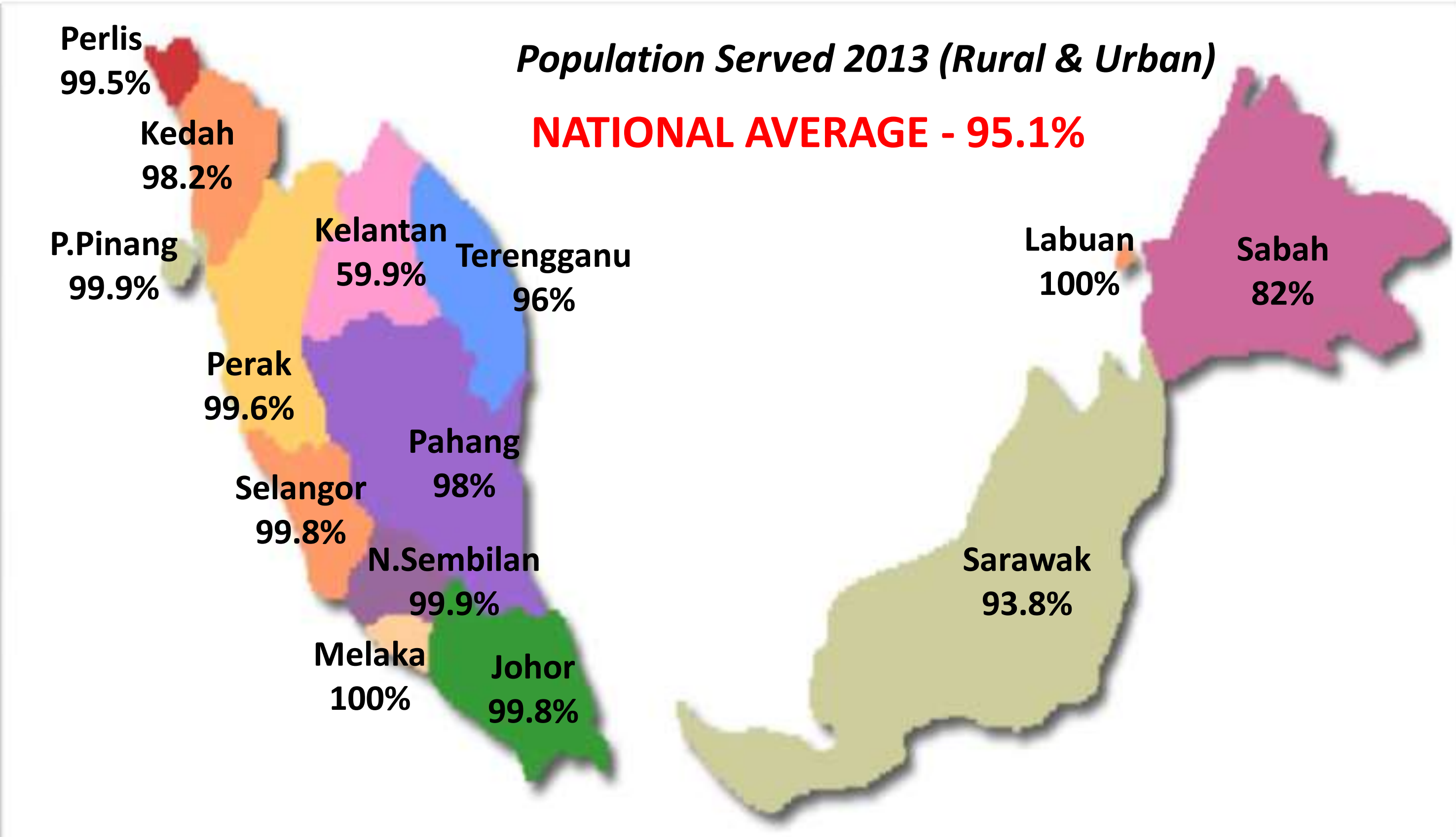
WATER SUPPLY SYSTEM		WASTEWATER SYSTEM



SOURCE	TREATMENT & DISTRIBUTION	TREATMENT & DISCHARGE

- State Government
- Dept of Environment
- Dept of Irrigation & Drainage

Quick Facts On The Water Services In Malaysia



Notes: Kelantan's percentage of population served refers to percentage of population with connected water supply. The percentage is low due to many households still using alternative sources.

- ✓ **Sewerage sector is managed by IWK except for Kelantan (Majaari), Johor Bahru and Pasir Gudang located in Johor (Local Authorities)**

Source : Database SPAN

State	Operator
Johor	SAJH SWC
Melaka	SAMB
N.Sembilan	SAINS Veolia
Selangor	SYABAS PNSB SPLASH ABASS KASB
Perak	LAP MUC AUSB
Pulau Pinang	PBAPP
Kedah	SADA TLSB AUI
Perlis	JKR Perlis
Pahang	PAIP
Terengganu	SATU
Kelantan	AKSB
Sabah	JBA Sabah
Sarawak	JKR Sarawak LAKU SWB KWB
Labuan	JBA Labuan

Focus under Water Services Industry Act

Economic

- ✓ License operators
- ✓ Review Business Plans
- ✓ Define obligations of licensee
- ✓ Advise tariffs
- ✓ Integration of water & sewerage services

Technical

- ✓ Technical and performance standards
- ✓ Permit and certification of contractors
- ✓ Water supply and sewerage systems

Consumer

- ✓ Quality of services
- ✓ Resolutions of consumer complaints/disputes
- ✓ Provision of information
- ✓ Water forum
- ✓ Rates and deposits

Social

- ✓ Sewerage capital contribution fund
- ✓ Water industry fund
- ✓ Environmental aspects

Licensing Regime Under WSIA 2006

1. **Licensees**
   - Facilities licensee - a person who owns whole or part of a water supply system/sewerage system
   - Service licensee – a person who treats water and/or distribute water/provides sewerage services
   - 2 types of licenses are issued by SPAN
     I. Individual license - public water supply system
     II. Class license - private system

water treatment licensee shall at all times maintain the **requisite approvals from the State Government to abstract water** from the watercourse throughout the duration of the license *

2. **Permit Holders**
   - Water/Sewerage Contractors and Plumbers

**Standard Conditions under Regulation 14(1)(a) Water Services Industry (Licensing) Regulations 2007*

Licenses issued

License	▪ **Individual Licence** ✓ **16 Service Licences** (All state operators are licensed except for Selangor, Perlis & Labuan) ✓ **3 Facility Licences** (PAAB, PBAPP & LAP) ▪ **Class Licence** – 853 issued
Permit (5 Permit Type – A,B,C,D & E) *	**60,717 permits issued** ▪ New – 24,115 ▪ Renewals – 36,602
Tariffs reviewed and gazetted in 2010 under WSIA	**5 STATES** – Kedah, Johor, Penang, Melaka & Kelantan
Products Registered	1,175 products

Note: All data are shown as at 31st December 2013 except for tariff review
** Details of Permit Type Application are available in SPAN's website*

Rules and Regulations

No	Rules/Regulations	Enforcement Date	Description
1	Water Services Industry (Water Services Deposits, Fees and Charges) Regulation 2014	1 February 2014	To standardize and regulate the water services deposits, fees, charges and contribution
2	Water Services Industry (Water Reticulation and Plumbing) Rules 2014	1 February 2014	To standardize and regulate matters relating to water reticulation and plumbing system
3	Water Services Industry (Planning, Design and Construction of Sewerage System and Septic Tank) Rules 2013	1 July 2013	To regulate works related to sewerage system and septic tank
4	Water Services Industry (Sewerage Capital Contribution Fund) Regulations 2011	1 January 2011	To regulate the contribution payable by the developers for development of sewerage system
5	Water Services Industry (Compounding Offences) Regulations 2008	1 August 2008	To allow certain offences under WSIA 2006 to be compoundable
6	Water Services Industry (Permit) Regulations 2007	1 January 2008	To impose permit requirement on contractors involved in the water services industry for better regulation
7	Water Services Industry (Licensing) Rules 2007	1 January 2008	To regulate owners of systems and service providers in the water services industry through licensing requirement

Status of migration

- Water services reform is proceeding and expected to complete in 2014
- 6 out of the 11 states have signed the asset transfer agreement with PAAB

State	Agreement Signed
Melaka	17 Dec 2008
N.Sembilan	20 Jan 2009
Johor	11 March 2009
Perlis	2 Aug 2010
Penang	2 June 2011
Perak	23 May 2012
Total Acquisitions = RM 9,226.91 million	

Migration of assets & liabilities is on-going for few states:

✓ Selangor – continuous negotiations with stakeholders
✓ Kelantan – on-going negotiations
✓ Pahang – Federal Govt has approved state's proposal
✓ Perlis – corporatization is in process
✓ Labuan – corporatization under KeTTHA

Developing A Sustainable Water Services Industry

1. Independent National Regulator ✓
2. Creative Innovative Financing ✓
3. Effective and Efficient Service Delivery ✓ Continuous
4. Transparent Tariff Setting Mechanism – right pricing ✓
   Study Completed, Roll-out Implementation

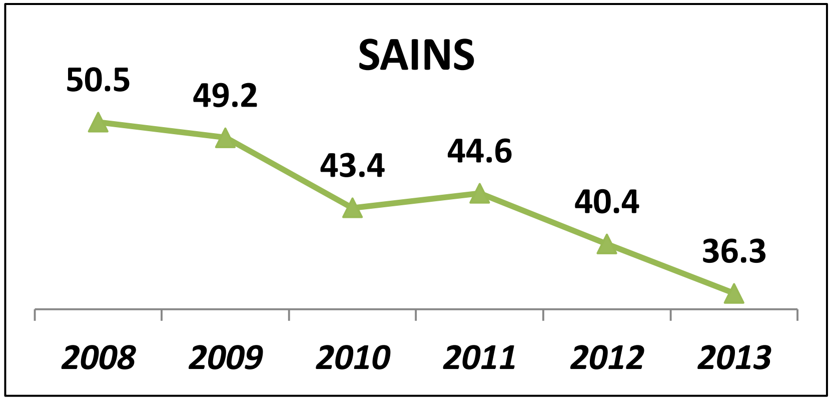
Asset-light state operators showed improved overall management and technical performance

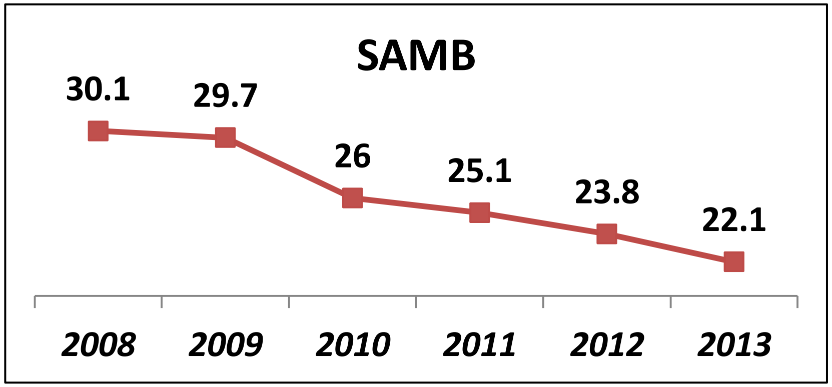
- Lower NRW
- Improved Water Quality
- Higher Billing Efficiency
- Better Customer Service
- Strengthen Enforcement

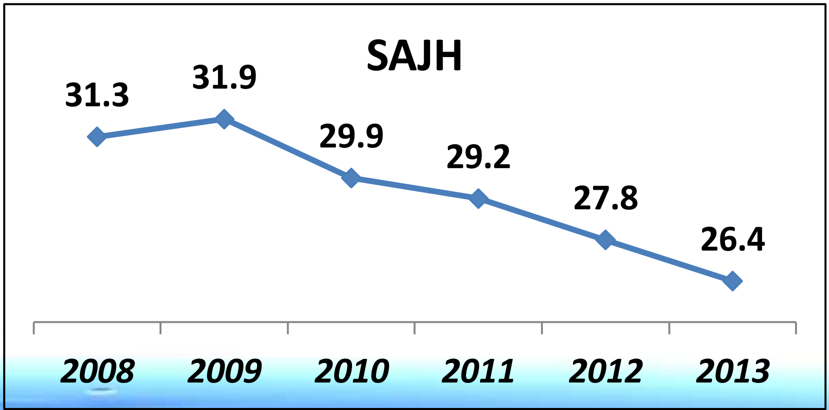
.....lower NRW for Asset-light states

NRW (%)

	STATE	2008	2009	2010	2011	2012	2013
1	Johor	31.3	31.9	29.9	29.2	27.8	26.4
2	Melaka	30.1	29.7	26	25.1	23.8	22.1
3	Negeri Sembilan	50.5	49.2	43.4	44.6	40.4	36.3
4	Pulau Pinang	16.9	19.1	18.2	18.4	17.6	18.3
5	Perak	31.4	30.7	29.4	30.4	30.1	30.4
6	Perlis	41.7	44.7	51.3	59.8	66.4	62.4
7	Kedah	45	44.9	44.9	47.8	50.6	50.9
8	Kelantan	49.4	48.3	52.4	55.6	53.9	53.1
9	Labuan	33.2	25.8	24.9	21.9	20.4	25.9
10	Pahang	52.9	59.9	55.3	56.2	54.2	52.7
11	Selangor	33.9	32.5	32.4	32.3	33.1	34.5
12	Terengganu	38	37.9	39.4	37	36.8	33.8
	Average	**36.2**	**36.6**	**35.4**	**36.1**	**35.9**	**35.7**







KEY CHALLENGES

Key Challenges

✓ **Capital Expenditure and Delivery**

- Projects implemented within timeline
- At value for money prices

✓ **Ability to service lease rental**

- Current low tariffs do not encourage investments in upgrading of facilities
- Balancing affordability with requirements

Low willingness to pay

Current % of domestic avg monthly bill/household income

0.54%

Key Challenges (2)

✓Implementation of Tariff Setting Mechanism

- Regulatory Accounting Framework (RAF) is an integral element in shaping the mechanism to set tariffs
- Licensees are required to submit regulatory accounts to allow SPAN to work with a set of reliable and uniform information to monitor performance
- Set benchmark costs to be applied for tariff setting
- Transparent and fair coupled with tangible improvements in service delivery will make future tariff hikes more palatable

Conclusion

- Expedite migration to asset light
- Faster project delivery and flexibility in implementation
- Fair and transparent tariff setting mechanism
- Full cost recovery to ensure long term sustainability

THANK YOU