

Selangor Water Bonds 'Bailout' is not in line WITH WSIA MODEL

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Association of Water and Energy Research Malaysia (AWER) objects this irresponsible move by Pengurusan Aset Air Berhad (PAAB) and Ministry of Energy, Green Technology and Water (KeTTHA) to 'Bailout' Water Bonds which worth RM 6.5 Billion. This move is not in line with Water Services Industry Act 2006 (WSIA) and its implementation as it does not outline the fate of Concession Holders.

AWER would like to cite the General Motor and Chrysler bailout by US Treasury in 2009 as example. The US Treasury and few others took control of the stake in these companies in the bailout. The move was to ensure the companies do not collapse and prevent loss of livelihood of many. While the move by KeTTHA and PAAB was seen as a step to prevent deterioration of financial market confidence towards Malaysia, the solution is still not in line with WSIA.

The Selangor Water Bonds bailout via PAAB is not anywhere near to the US example. In actual operation, PAAB is already a Special Purpose Vehicle (SPV) and there will be no need to form a new SPV as another 'middle man'. Introducing a new 'middle man' will incur additional cost to public unnecessarily. The very duty of PAAB is to take over assets with liabilities to ensure the water operators are 'asset-light'. PAAB's operations are supposed to be 'ring-fenced' and regulated by Suruhanjaya Perkhidmatan Air Negara (SPAN).

What has gone wrong here? Is PAAB not clear or do not understand their role and job scope?

In the bailout of General Motor and Chrysler, the US Treasury and few others took control of the stake in the companies. Unfortunately, the proposed action by PAAB is just saving the bondholders without relinquishing the stakes of affected concession agreement holders. This should not be the way SPAN, PAAB and KeTTHA end the water bonds' issue. This is equivalent to passing the entire problem straight to the people and businesses to pay off. After all, all these costs are paid through tariff.

The bondholders are actually stuck in this situation due to tussle between state government and the concession holders as well as federal government. The WSIA model allows the removal of concession agreements via a proper mechanism. Paying off liabilities of the concession companies to prevent deterioration of market confidence is acceptable. But, CONCESSION AGREEMENT MUST BE MADE NULL AND VOID at the end of the whole deal.

Once the proposed 'bailout' is done and PAAB takes control of the relevant stakes, an agreement can be made directly with state government to restructure the Selangor state water industry by Federal Government without the need to involve affected concession holders.

AWER urges Selangor State Government and KeTTHA to cooperate to solve this issue. For those whom are not clear on how WSIA model functions, please log on to www.awer.org.my to download this report "National Water Services Industry Restructuring - The Truth". It is in Bahasa Malaysia and English. This report was also sent to all ADUNs and MPs in Malaysia last month.

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