

Malaysia

AWER: Cancel Selangor water concessions after bailout

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KUALA LUMPUR, May 29 — Putrajaya should void Selangor water players' concessions upon completion of its RM6.5 billion "bailout" so that consumers will not have to foot the bill, the Association of Water and Energy Research Malaysia (AWER) has said.

"This is equivalent to passing the entire problem straight to the people and businesses to pay off," AWER president S. Piarapakaran said in a statement today.

"After all, all these costs are paid through tariff."

Piarapakaran said that, while it was acceptable for government to pay off concessionaires' liabilities to prevent a drop in market confidence, the Water Asset Management Company (PAAB) should take a stake in the four water companies through the bonds buyback.

Once the bailout was completed, PAAB could then make an agreement directly with the Selangor government to restructure the state's water industry without the need to involve concession holders, he said.

"Unfortunately, the proposed action by PAAB is just saving the bondholders without relinquishing the stakes of affected concession agreement holders," he said.

Piarapakaran also pointed out that the proposal by the National Water Services Commission (Span), PAAB and the Energy, Green Technology and Water Ministry (Kettha) was not only "irresponsible" but went against the restructuring plan laid out in the Water Services Industry Act (WSIA) 2006.

"The WSIA model allows the removal of concession agreements via a proper mechanism... But (the) concession agreement must be made null and void at the end of the whole deal," he said.

He added that since PAAB was already a special purpose vehicle (SPV), it made no sense incur additional costs through "middle man" Acqua SPV Bhd, a wholly-owned subsidiary of PAAB that was formed to buy back the bonds.

"The very duty of PAAB is to take over assets with liabilities to ensure the water operators are 'asset-light'," Piarapakaran said.