

# **The Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP): A Good Example of Corporate Social Responsibility of a Private Water Company in Malaysia**

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## **Abstract**

The story of Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP), a privatized water company in Penang, Malaysia, show-cases how privatization can be successful. More importantly, PBAPP is undoubtedly one of the most successful privatized water companies in the country, both in terms of its annual profits as well as its key performance indicators and its commitments towards corporate social responsibility. Its partnership with Water Watch Penang in the area of awareness, education and conservation testifies to its commitment towards social as well as environmental responsibility. Due to its success, PBAPP has been quoted both by government, NGOs as well as global water players as the “benchmark” for water companies.

## **1. Introduction**

The Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) is a privatized water company in Penang, Malaysia. It is the sole subsidiary of PBAHB<sup>1</sup> which was incorporated in Malaysia on March 1, 1999 to undertake the role of the successor company in the corporatisation exercise of the water authority in Penang State. PBAPP was subsequently granted a license by the Penang State Government pursuant to Part IV, Section 16 of the Water Supply Enactment 1998 to operate as the water supplier in the state. Despite the resistance from some NGOs and the public towards water privatization in Malaysia in general, PBAPP is a good example of how water supply can be privatized. The company has adopted a holistic approach towards managing the water supply in Penang State, from handling the sourcing of raw water, treatment of water, distribution and the billing of consumers (<http://www.pba.com.my/> 13 Feb 2007). PBAPP has also committed itself towards its Corporate Social Responsibility by contributing towards water conservation and supporting as well as working closely with NGOs, especially Water Watch Penang (WWP) ([www.waterwatchpenang.org](http://www.waterwatchpenang.org)) in its conservation programmes.

Historically, the supply of water for Penang State was fragmented under the City Council of Georgetown (for Penang Island) and the Public Works Department Penang (for Mainland Penang or Seberang Perai). In January 1, 1973, the roles was taken over by Pihak Berkuasa Air Pulau Pinang (PBA) pursuant to the Penang Water Authority Enactment 1972. With that, PBA was established in 1973 as statutory body to manage and regulate the water supply in the state.

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<sup>1</sup> PBA Holdings Bhd (PBAHB) was incorporated in Malaysia on May 25, 2000 as a public limited company under the Companies Act, 1965 and having its registered and principal place of business at Level 32, KOMTAR, 10000, Jalan Penang, Pulau Pinang. PBAHB is an investment holding company with a single subsidiary, namely Perbadanan Bekalan Air Pulau Pinang Sdn Bhd which is involved in the business activities of the water suppliers in the state of Pulau Pinang. PBAHB was listed on the Main Board of the Bursa Malaysia (Malaysian Stock Exchange) on April 18, 2002.

Pursuant to the approval of the Penang State Government in August 1997 and the approval from the Economic Planning Unit in June 1998, PBA was corporatised as Perbadanan Bekalan Air Pulau Pinang Sdn Bhd on March 1, 1999 under the Penang Water Authority (Successor Company) Enactment 1998.

## **2. Key Performance Indicators**

Since privatization, PBAPP has consistently shown impressive water performance indicators. It is probably the most successful water company in Malaysia, having been quoted not only by the Malaysian Government but also consistently by NGOs (Netto, 2005; Chan, 2006a). PBAPP's supply coverage is 100% in urban areas and 99% in rural areas, and Penang water rates/tariffs are amongst the lowest in Malaysia. (An average of RM0.31 for the first 35 cu.m [Domestic] and an average of RM0.94 for first 500 cu.m [Trade] [RM1.00=US\$0.28]). Despite the fact that Penang is a water stressed state, i.e. a state with few water catchments and about 80 % of its water comes from the Muda River which has its catchment in another state, PBAPP has done well to ensure that water supply in Penang State is amongst the most efficient, if not the most efficient in Malaysia. The PBAPP is constantly planning for the future as the state's population grows and prospers towards vision 2020 as the company supports the Penang State Government's plan to cultivate sustainable development and a green environment. In 2004, PBAPP implemented an Environmental Management System (EMS) at the Batu Feringghi Treatment Plant and the Teluk Bahang Dam. Subsequently, the company also obtained ISO 14001:2004 certification dated 1 March 2005 for the "Management and treatment of raw water and the supply of potable water in the above two facilities". PBAPP is now seeking similar certification for the 8 other treatment plants and 2 other major dams in the State of Penang. PBAPP is continuously striving for excellence. The company is keeping up to its promise of "meeting all your water supply needs", not just in the quality of its supply but also through continuous public awareness and education. The PBAPP's website ([www.pba.com.my](http://www.pba.com.my)) is a comprehensive collection of relevant information regarding the quality of Penang's drinking water supply along with helpful tips about murky water, where water comes from, the most effective course of action to take during water stress, and how safe is Penang's drinking water, etc. Perbadanan Bekalan Air Pulau Pinang (PBAPP) is committed to "continuous improvement" in water supply for the State of Penang, in accordance to international ISO 9001:2000 certifications from UKAS (United Kingdom) and DAR (Germany) for the "treatment and supply of water with customer services." Table 1 shows the various performance indicators.

Table 1. Performance Indicators and Statistics of PBAPP (Source: www.pba.com.my).

No. of dams	6
Total raw water storage capacity	46,013 million litres
No. of treatment plants	10
Design capacity of treatment plants	1,166 million litres
No. of treated water reservoirs	50
No. of treated water towers	30
Volume of treated water supplied daily	759 million litres
Total daily water consumption	612 million litres
Percentage of non-revenue water	(NRW) 20%
Total length of mains and pipelines (100mm in diameter and above)	3,407km
Supply coverage	100% in urban areas 99% in rural areas
Domestic water tariff (1st 35,000 litres)	RM0.31 per 1,000 litres
Trade water tariff (1st 500,000 litres)	RM0.94 per 1,000 litres

### 3. Corporate Social Responsibility and Partnerships with NGOs

Since 1999, PBAPP has initiated a partnership with WWP. This is an annual water awareness, education and conservation programme in Penang State fully sponsored by PBAPP and carried out by WWP. The objectives are: to create and promote greater awareness of the importance of the environment and the vital resources that the environment produces for humanity; to inculcate in all Penangites the habit of loving and treasuring the environment, ultimately making them environmentally-friendly people; to reach and educate the young, especially school children and also the adults (the general public) about the importance of the environment and its conservation; to change peoples' habits from being apathetic towards the environment to being caring towards the environment (for example changing them from "water wasters" to "water savers" and by doing so we change a "Water Wasting Society" into a "Water Saving Society"); to ensure that Penang's water resources are sustainable in the long run via the efforts/activities of government, industry, NGOs and the public; to promote internationally and locally the image of the Malaysian Government as one that is "Caring Towards The Environment" and also one that is "Accommodating In Allowing The Private Sector, NGOs and the Public to play a significant role in environmental management"; to realize the Government's commitments towards sustainable development in the long run, especially in terms of a Malaysia with a clean and healthy environment, and a clean and healthy population.

Since 1999, WWP and PBAPP have jointly organised and celebrated World Water Day (WWD) which falls every year on 22<sup>nd</sup> March. For example in 2006, WWD was held in Penang on 2 April 2006. This event was jointly by WWP together with PBAPP Sdn Bhd, Rotary Club of Penang and Avago Technologies at the Penang Youth Park. A total of 99 schools took part with 217 students and 20 teachers. The estimated total number of accompanying parents is 70 and total number of members of the public attending is more than 200 people. A total of 12 organizations put up water exhibition booths during this event to increase public awareness about water and related issues. The event was officiated by the Chief Minister of Penang with many other politicians, government officers, staff of PBAPP, members of Rotary Club Penang, staff of

Avago Technologies, staff of Penang Municipal Council (MPPP), and other VIPs. Many activities were organised throughout the day, including the opening ceremony, declaration of World Water Day by YAB, talks on water conservation, press conference with members of the press, water quizzes, water painting competitions, prize giving, water exhibitions and water guessing competitions and visits to waterfall treatment plant. The total number of people attending is officially noted at 498 but those that did not register may be around 200 to 300. Altogether, it is estimated that at least 900 people attended this event. In addition, the PBAPP Sdn Bhd's waterfall treatment plant was also open to the public. It is estimated that at least 100 people visited the plant.

PBAPP and WWP, together with Ford Motor Company (through its Environmental Conservation Grants) also jointly produced a water education VCD in April 2006. The VCD was launched at the WWD celebrations on 2 April 2006. This is a 20 minute VCD on water education produced by WWP and jointly sponsored by PBAPP Sdn Bhd and Ford Foundation. The VCD was given out at RM1 a piece during WWD 2006 at the Penang Youth Park. The VCD was also sold at all WWP functions and activities in 2006. A total of 2000 VCDs were made. WWP plans to distribute the VCDs to all schools in Penang State.

PBAPP and WWP also partnered the Excel Point Community Care Kids Joy Club "Easter Colouring Contest on 16 April 2006". The event was held at 2-4-5 Pekaka Square, Lebuhraya Pekaka Satu, Sg Dua 11700 Penang. PBAPP contributed some of the prizes. YB Goh Kheng Sneah, ADUN Batu Uban officiated and gave away the prizes. A total of 301 children took part in the three categories of the contest: (i) Category A (Ages 4-6); (ii) Category B (Ages 7-9); and Category C (Ages 10-12). The number of parents who accompanied their children also totaled more than 200. The organisers of the event totaled about 30 staff of EPCC. The total number of schools involved is estimated at more than 50, many coming from as far as Batu Ferringhi and Balik Pulau.

PBAPP and WWP also worked with schools. On 21 April 2006, it jointly organized the SMJK Chung Hwa Confucian "Educational Quiz 2006". A total of 200 students took part in this quiz. WWP provided facilitators, questions and contributed some of the prizes. WWP facilitators gave educational talks about the importance of water before the quiz.

PBAPP and WWP has a monthly programme for schools on river awareness and education. For example on 29 July 2006, a Sg Air Terjun river catchment awareness programme was carried out with apartment children in the Batu Uban area. This activity was organized with a number of condominiums and apartments in the Batu Uban area. A total of 50 children (with many accompanying parents) were first briefed on the importance of rivers and then taken on a river walk around botanic gardens along the Sg Air Terjun. The group was taught about the functions of the forest as a water catchment as well as for biodiversity, tourism and other functions. The group was treated to a lunch snack. After lunch, a river clean-up was conducted. The group was also taught how to measure river water quality via pH, dissolved oxygen, temperature, dissolved solids, etc. All participants enjoyed themselves and WWP T-shirts and other souvenirs were handed out to each participant.

PBAPP and WWP also work with universities. On 5 August 2006, a “Penang National Park Programme and Importance of Teluk Bahang Dam as a future source of water supply” was carried out for Universiti Sains Malaysia (USM) undergraduates. This is a awareness and education programme for university students. The students have to write a report after they finished the activity. A group of about 200 undergraduates of Universiti Sains Malaysia were taken into the Penang National Park (PNP). Bus was provided by USM. WWP provided the facilitators. The students were briefed by WWP facilitators on the history and process of how the PNP was gazetted, the importance of the PNP and what they thought would be most important in the conservation of the park. The group hiked into the park and stopped at Pantai Kerachut for lunch. Along the route, the group encountered many clean streams and some tests of water quality were performed. The discharge and cross-sections of the small streams were also measured as part of the exercise. Students were taught that inside the PNP, the water quality of streams was very good. After the hiking, the group was taken to the Teluk Bahang Dam. They were briefed on the importance of the dam and how the PNP was a catchment for this dam.

A Local Awareness and Water Saving Seminar was held in N-Park Condominium, Penang on 18 November 2006 (Chan 2006b; Chan 2006c). This was part of PBAPP and WWP’s aim of reaching all segments of the public and teaching them to save water, WWP organized this event for apartment owners and residents, given the fact that N-Park Resort Condominium is a big user of water. A total of 120 apartment owners and residents took part in this event, organized by WWP. Many also brought along their children (about 20 children were counted). WWP presented two papers titled “The Water Situation in Malaysia and Penang: Why The Need To Save Water” and “Water Watch Penang - What We Do and How N-Park Residents Can Reduce Water Use”. The participants were enthusiastic, took part in the discussion actively and gave many useful comments. Those taking part were all registered and accounted for. It is expected that by the end of the test period, N-park residents would reduce their water demand/use by about 10 %. This being the case, N-park Condominium will be used as the “bench-mark” for replication of the project in all other condominiums and apartments in Penang, and Malaysia.

#### **4. Future Activities**

Future water conservation activities planned by PBAPP and WWP are as follows: (1) 2007 State-Level Celebration on World Day for Water 2007 in one of the shopping malls in Penang (The target is the newly opened Queensbay Mall), tentative dates are over 2 days, i.e. 24 March (Saturday) and 25 March (Sunday) 2007;(2) Dissemination of 2000 copies of water education VCD by WWP-PBAPP-Ford Foundation for distribution to all schools in Penang State & also to be distributed during World Water Day 2007; (3) Reprint of 1000 copies of New Water T-Shirt Bearing WWP-PBAPP Sdn Bhd logos for distribution during World Water Day 2007 as well as to be used in all 2007 WWP-PBAPP Activities; (4) Reprint of 3000 copies of School Exercise Books with WWP-PBAPP logos for distribution during World Water Day 2007 as well as to be used in all 2007 WWP-PBAPP activities; (5) Production of 3000 copies of School Note Pads with WWP-PBAPP logos and Water Conservation Tips for distribution during World Water Day 2007 as well as to be used in all 2007 WWP-PBAPP Activities; (6) Production of 1000 pieces of WWP-PBAPP Mugs for distribution during World Water Day 2007 as well as to be used in all 2007 WWP-PBAPP Activities; (7) Production of 3000 pieces of Rubber Wrist Bands (A very “in-thing” amongst the young) that carries WWP-PBAPP logos and “Save Water” message for

distribution during World Water Day 2007 as well as to be used in all 2007 WWP-PBAPP Activities; (8) Production of 3000 pieces of Writing Pens with WWP-PBAPP logos for distribution during World Water Day 2007 as well as to be used in all 2007 WWP-PBAPP Activities; (9) State-wide Inter-School Water Crossword Puzzle for primary school children (Category 1) and lower secondary school children (Category 2). The puzzle words are all related to water. Issues such as the water cycle; water resources management; water conservation; water pollution and its management; water and life; water and ecosystem; and all other topics related to water. Prizes and certificates will be awarded to the top 5 winners in each category and 10 consolation prizes in each category. In the event of more than 1 correct entry, the winner will be determined by a lucky draw. The competition will be on a monthly basis with one competition per month. The puzzle will be printed and sent to all schools via the Ministry of Education Penang; (10) Production of a Water Educational Poster Calendar (2000 copies). The calendar will have water saving tips, the role of PBAPP Sdn Bhd & WWP, photos of rivers, water treatment plants, the importance of water and water conservation in Penang, and other water conservation aspects. All schools in Penang will be given the poster calendar free; (11) Water Awareness and Education Fieldwork for school children. This is an ongoing activity to expose and educate school children on the importance of water. The target group is school children under 15 years of age, i.e. from primary to lower secondary. Every month, a school will be selected whereby 40 students and two teachers will be taught water quality monitoring of rivers in Penang, learn about the entire water treatment process (via visiting a plant), do river clean-up, and upload the data collected and stories of the fieldwork on to the respective school's websites. In this way, schools can learn about water and rivers, learn ICT on website management, and also interact with students from other schools; (12) Publication of booklet titled "101 ways to save water" to be distributed to all schools in Penang; (13) State Level Domestic Consumers Water Usage Survey under the Ministry of Energy, Water and Communications (KTAK) and Federation of Malaysian Consumers Association (FOMCA)'s "National Water Awareness and Saving Campaign". This is a national campaign on water saving whereby WWP is a partner responsible for the Penang State activities. Currently a State-wise water saving campaign survey is under way. FOMCA is also carrying out surveys in all other states in the country. The campaign targets a 10 % reduction in water use at the end of 2 years.

## **5. Conclusion**

Contrary to popular misconception, not all privatization of the water sector is necessarily bad for the public. When carried out professionally with transparency, accountability and efficiency, private water companies can be successful and profitable. The story of Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) demonstrates that water privatization can be successful. The success of PBAPP is widely recognized, not just amongst local government authorities and NGOs but also in the Asian region. PBAPP is so successful that it has ventured overseas and won many contracts. PBAPP's success is backed up by its annual profits as well as its key performance indicators and its commitments towards corporate social responsibility. Its partnership with Water Watch Penang in the area of awareness, education and conservation testifies to its commitment towards social as well as environmental responsibility. PBAPP has many water conservation programmes with WWP targeting the schools and the general public. Not surprisingly, due to its success, PBAPP has been quoted both by government, NGOs as well as global water players as the "benchmark" for water companies.

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