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Utilities and the push for cheaper homes

IN the 1970s, utility companies rightfully invested and provided the necessary capital expenditure to install the requisite infrastructure to serve their customers.

In the 1980s, the utility companies discovered the power of their natural monopolies and started to impose on developers to build the necessary infrastructure as a condition for the utility companies to deliver their service.

For electricity supply, it started with laying cables and lamp posts but eventually having to build and pay for the sub-station buildings, the transformers and equipment. Levies in the form of application and connection fees were then introduced to the consumers.

It did not take too long after that for the utility companies to include contribution supposedly for upgrading upstream plants and cables to bring the utility to the doorstep of any development.

Developers have no alternative but to succumb to such increasingly outrageous demands otherwise the confirmation of availability of supply is withheld. All these impositions are included in the development costs and passed on to house buyers.

Emboldened by making developers pay up, the utility companies introduced new levies. Now, developers have to pay a capital contribution, not based on the cost of any upgrade, but based on a percentage of the selling price of the properties. Where is the correlation between selling price and the genuine cost of any upgrade of upstream infrastructure?

All these add to the cost of development and we have now reached the point where houses have become unaffordable to many.

The Association of Water and Energy Research Malaysia has

warned that if such infrastructure were to be paid for by the utility companies and if no capital contribution is imposed, the tariff for utilities will have to be higher. Yet these companies are raking in profits, distributing dividends to shareholders, many of whom are foreign investors and funds.

The fundamental principle in business is that the business must invest in their business to make business. To add further insult, developers are actually creating new consumers and bringing new businesses to these companies after having to front up all the cost enabling these utility companies to profit. Since the question of affordability is being addressed, it is hoped that this unfair treatment of developers and consumers should be reviewed.

**Aggrieved Consumer
Petaling Jaya**