

Water price dispute

Singapore and Malaysia inked legally-binding, long-term agreements in 1961 and 1962, to allow the Republic to draw raw water from Johor and for PUB to supply treated water back to the state. These pacts were enshrined in the 1965 Separation Agreement and registered with the United Nations. They contain provisions that make it clear Malaysia cannot unilaterally raise the price of water any time it wants. Water became a contentious issue during Tun Dr Mahathir Mohamad's earlier term as Malaysian prime minister.

KEY DEVELOPMENTS



Malaysia asks to resolve outstanding bilateral issues as a package. This includes renegotiating the price of the raw water sold to Singapore, which is at 3 sen per thousand gallons. Singapore agrees.



Then Senior Minister Lee Kuan Yew and Dr Mahathir Mohamad agree to increase the price to 45 sen per thousand gallons for current and future water.



Malaysia wants to increase the price of water to 60 sen per thousand gallons, and review the price every five years.



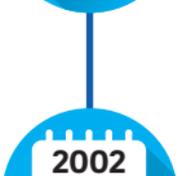
SM Lee and Dr Mahathir agree to revise the price of current water to 45 sen per thousand gallons. After 2061, the price will go up to 60 sen per thousand gallons.



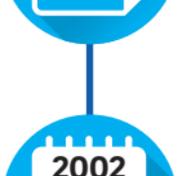
Malaysia wants to raise the price to 60 sen per thousand gallons of raw water, and increase it further to RM3 per thousand gallons from 2007 to 2011. After 2011, the price should be adjusted yearly for inflation.



Then Prime Minister Goh Chok Tong writes to Dr Mahathir, saying Singapore would supplement the water agreements by producing its own Newater for the sake of good long-term relations. Singapore proposes to peg the price of future water to an agreed percentage of the cost of Newater.



Malaysia proposes a price of RM6.25 per thousand gallons of raw water. It also suggests that talks on future water take place only in 2059.



Dr Mahathir tells PM Goh that Malaysia has decided to discontinue talks on the bilateral package of issues, as negotiations have not yielded meaningful results and Malaysia wants to resolve the price review of raw water first.



Then Foreign Minister S. Jayakumar delivers a ministerial statement in Parliament on the price of water, saying the matter is not one of money but about Singapore's existence as a sovereign nation separate from Malaysia. Singapore makes public its correspondence with Malaysia on the matter.



Dr Mahathir steps down as prime minister. Tun Abdullah Badawi takes over.



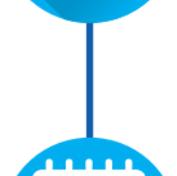
The 1961 water agreement lapses. Singapore returns all land and facilities, saying the handover does not affect the adequacy of the water supply to Singapore.



In a joint statement after their annual leaders' retreat, Prime Minister Lee Hsien Loong and then Malaysian Prime Minister Najib Razak reaffirm the importance of undertaking the necessary measures to ensure reliable and adequate water supply from the Johor River as provided for in the 1962 water agreement. Both countries also affirm the terms of the agreement.



Dr Mahathir returns to the helm a second time as Malaysia's Prime Minister, after his Pakatan Harapan alliance swept to power in a shock victory during the general election.



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Linggiu Reservoir in Johor.