

# MRT Corp not keen on property play to recover infrastructure costs

CHU JUCK SENG/THE EDGE

BY **Chua Sue-Ann**

**A**s Malaysia prepares to build its most expensive infrastructure to date — the Kuala Lumpur/Klang Valley mass rapid transit (MRT) system — the question of cost and how it can be recouped invariably surfaces.

While the government has yet to firm up the exact cost for the MRT's first line — the Sungai Buloh-Kajang (SBK) line — market observers and analysts have estimated the figure to be about RM18 billion. The three-line MRT system is expected to cost over RM40 billion. To that end, the government has formed a special purpose vehicle called Dana Infra Sdn Bhd to raise funds via the issuance of Islamic bonds to fund the project.

How the government will recoup at least part of the cost remains an open question. But on that issue, project manager MRT Corp Sdn Bhd CEO Datuk Azhar Abdul Hamid is quick to point out the reality.

"Any infrastructure of this nature will never make money. Don't ever expect to recover your cost on ticket revenue," Azhar tells *The Edge* in an interview. He also resists making any comparisons between Malaysia's planned MRT project and the rail projects in Hong Kong and Singapore, both of which comprise a real estate component.

What Azhar is asking the government to consider is to separate the burden of cost, just like what Singapore has done. As he describes it, Singapore's Land Transport Authority divided the infrastructure costs into two — hard and soft assets. The government undertakes the cost of the hard assets, such as the building of the tunnels, rails and guide ways, while the MRT operator bears the cost of soft assets, such as the rolling stock and systems. So, although the operator will be tasked to maintain the hard assets, at least it is not burdened by the entire cost of the project.

The government appears to be veering towards that path, since Dana Infra has been mandated to raise the funds, instead of national public transport asset owner Syarikat



Prasarana Negara Bhd. Prasarana is already shouldering the RM7 billion worth of bonds issued to fund its light rail transit (LRT) extension programme.

Azhar maintains that the MRT operator must be given a fair chance to break even or make some money by not being saddled with the entire cost of the infrastructure. "Here, Prasarana carries the LRT infrastructure cost as well. When will it ever become profitable?" he asks.

Earlier, Prasarana and the Land Public Transport Commission, or Suruhanjaya Pengangkutan Awam Darat (SPAD), the public transport regulator, talked up the rail-plus-property model, arguing that it would help reduce the dependence on ticket sales and diversify the operator's earnings.

But this is something Azhar prefers to look beyond. "In all fairness, when you acquire land via a compulsory acquisition, the last thing you should do is talk about property. It is a conflicting objective," he stresses.

According to Azhar, the acquisition of private land for public purposes, including to build the MRT stations and tracks, should remain strictly for public purposes. This

**Azhar: Any infrastructure of this nature will never make money**

could in part allay any anxiety over the compulsory acquisition for the land and properties to make way for the MRT infrastructure.

Azhar says that if property development were ever to feature in the plans to recover part of the investment, then SPAD should have pencilled it in from the beginning and teamed up with developers. "If you can have three locations (where MRT stations support commercial developments), you've got it made!" he says.

Azhar points out that the existing SBK line will have several stations tied in with proposed real estate developments, one of which is the Warisan Merdeka 100-storey tower which Permodalan Nasional Bhd (PNB) is undertaking. "We are right below where the 100-storey tower will stand, but that is by default rather than by design," he remarks.

Azhar's priority now is to get the MRT's second and third alignment finalised by year-end, instead of drawing up plans to develop commercial properties. Construction of the elevated portions of the SBK line is

expected to begin by early next year while tunnelling is to commence at end-2013. To date, preliminary construction works include the relocation of utilities, which are at an advanced stage.

The SBK line runs for 51km and stops at 31 stations, including Sungai Buloh, Pusat Bandar Damansara, Pasar Seni, Maluri and Bandar Kajang. So why the hurry to roll out proposals for the next two lines?

Azhar says, "Until and unless we firm all this up, the certainty is not there."

Firming up the proposed alignments for the entire MRT system would give a sense of certainty to businesses and prospective property buyers with regards to choosing real estate locations. "Unless people know there will be public transport going to an area, they cannot plan. You are putting the economy on hold, which is no good," Azhar says.

The MRT's second line is slated to be a circle line, which connects key existing hubs and proposed developments in the inner city area. The circle line is said to complement the existing LRT and monorail lines and add carrying capacity to serve the high traffic zones of Kuala Lumpur.

The third MRT line, meanwhile, is envisioned to serve the northwest to southeast regions by connecting areas like Kepong, Selayang and Klang. All three lines will run underground through the city centre.

Azhar expects to get Phase 1 of the SBK line, which is from Sungai Buloh to Semantan, up and running by end-2016. Phase 2, which runs from Semantan to Kajang, is scheduled to commence operations in July 2017.

Having the next two MRT lines in the works would provide another boost to construction firms and spillover effects to property developers with landbank near the future MRT stations.

Two of the 19 packages for the SBK line have already been awarded, while the rest will be dished out by year-end. The next phase of the MRT project will likely involve a fresh round of land acquisitions, a path now familiar to MRT Corp and the government, having dealt with the public outcry over the SBK line.