

Enough funds for KVMRT

Zeti: If projects are well-managed, there will be ample liquidity to go around

By JOHN LOH
johnloh@thestar.com.my

KUALA LUMPUR: Malaysia's financial system can raise the required financing to support the Klang Valley My Rapid Transit (KVMRT), according to Bank Negara governor Tan Sri Dr Zeti Akhtar Aziz.

Despite the "massive funds" needed for the project, which has been touted as the country's most expensive public infrastructure to date, she cited Projek Lebuhraya Usahasama Bhd's RM30.6bil sukuk issuance in January as proof the capital market could stomach that level of fund-raising.

"We were invited to give our views and proposals on how this (KVMRT) could be financed and I believe there are innovative ways (to do it). Of course, all these projects need to be staggered and not happen at the same time," she said at a British Malaysian Chamber of Commerce luncheon.

"And they must be managed very carefully so as not to cause an economic dislocation of talent, supply, resources or liquidity."

Zeti added that if the various infrastructure projects mooted under the Economic Transformation Programme were well-managed, there would



be ample liquidity and finance to go around.

"It is important to prevent leakages, or costs that are in excess of what the (actual) value of the project is," she said, assuring that major projects were frequently presented to the Economic Council that is chaired by

the Prime Minister.

StarBiz had reported late last month that Dana Infra Nasional Bhd, a special unit of the Finance Ministry set up to finance the KVMRT via bonds, would be making issuances worth RM8bil in the second half of this year.

It was said that a second, and larger, tranche of bonds would be raised next year, bringing the total amount to between RM20bil and RM30bil, with all of them taking the form of ringgit-denominated sukuk.

MRT Corp had previously said that the actual cost of the first line of the 51km KVMRT, which would run from



Zeti: 'There are innovative ways to do the financing.'

Sungai Buloh to Kajang, would only be known closer to the fourth quarter this year, after a majority of the contracts had been dished out.

Its CEO, Datuk Azhar Abdul Hamid, had earlier refuted claims that the Employees Provident Fund would step in to finance the KVMRT. The retirement fund said this month it had grown its investment funds in 2011 by 6.52% to RM469.22bil.

Meanwhile, Zeti reiterated that the central bank was standing firm on its responsible lending guidelines that came into force on Jan 1, even though local automotive players had blamed it for causing a decline in car sales.

The new guidelines stipulate that loans must be approved based on net income instead of gross income.

It was introduced with the intent to curb excessive household debt, which stands at some 75% to 76% of gross domestic product currently.

"Our guidelines are to ensure that the borrowers are in a position to take on increased debt. It would be of no use if the borrower cannot repay the debt – the car will be repossessed and the borrower risks being declared bankrupt.

"We want those who have the capacity to take on debt to be able to do so," Zeti said, adding that the Malaysian automotive market would, eventually, become highly saturated.

"It is relatively already saturated in terms of vehicle ownership. Therefore, it is important for them (car manufacturers) to be highly competitive and to be able to export to external markets."

Perusahaan Otomobil Kedua Sdn Bhd had recently pinpointed the new lending rules as the reason for a 11% year-on-year dip in the sales of its vehicles in March from 18,000 sold in the same month last year.

The Proton Edar Dealers Association Malaysia also said it would meet with local banks to iron out issues relating to the new guidelines.