

MRT contract gets tepid response

China's CSR Zhuzhou is sole bidder for US\$600 million train supply job

by Leslie Lopez

FD@bizedge.com

KUALA LUMPUR: The open tender for the supply of trains for the multi-billion dollar Klang Valley mass rapid transit (MRT) project is getting a tepid response from

international players.

Industry executives tracking the tender process said that only China's CSR Zhuzhou Electric Locomotive has submitted a bid for the supply of 58 four-car electric train sets, which is estimated to cost around US\$600 million (RM1.84 billion).

MRT Co, the government body overseeing the Klang Valley MRT project, is concerned by the lukewarm response and is considering extending the tender offer, which closes this week, to June 14 to attract more bids, the executives said.

MRT Co had pre-qualified six companies for the supply of the electric trains. Apart from CSR Zhuzhou, the international cast of bidders includes Kawasaki Heavy Industries, Canada's Bombardier, Changchun Railway Vehicles Co,

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CSR Zhuzhou is widely perceived to enjoy an edge over rivals

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Germany's Siemens AG and South Korea's Hyundai Rotem Co.

MRT Co executives didn't respond to requests for comment but industry executives closely tracking the tender process said that the poor response is due to the widely perceived view that CSR Zhuzhou, which was a last-minute addition in the pre-qualification process, enjoys an edge over its other rivals.

"Taking part in the tender process is expensive and the reluctance is because the chance of getting the project isn't very bright," said one industry executive who is representing one of the pre-qualified candidates. He added that the technical specifications for supply of the electric trains also favour the Chinese company.

It isn't clear whether MRT Co will make modifications to the tender in order to generate more interest. But several industry executives said that MMC-Gamuda, MRT Co's project delivery partner for the three-line, 150km MRT system, is likely to insist on some adjustments to woo other bidders back to the process.

After years of concentrating on building highways and ports, Malaysia is directing its infrastructure spending on the rail sector. More than RM70 billion worth of rail-

related projects have been slated for the next decade, including the prized RM40 billion Klang Valley mass rail transit project. This makes rail-related construction the second fastest growing sector after oil and gas.

With so much money at stake, the sector is drawing strong interest from international engineering groups.

CSR Zhuzhou has been a major recipient of supply contracts from the Malaysian government in recent months. The company recently secured a contract worth RM530 million for the supply of 20 six-car metro trains to serve the extended Ampang line of Kuala Lumpur's light-rail system. The Chinese company also recently won the contract to supply 38

six-car electrical multiple units, or emus, from the national railway KTM's commuter services in Kuala Lumpur.

Industry executives said the Chinese manufacturer wants to turn Malaysia into its Southeast Asian manufacturing hub. It is planning to invest in a manufacturing plant in Batu Gajah for the assembly of new trains. The company has also



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made commitments to the Malaysian government that the new facility will be used as the springboard to secure more international contracts with Malaysian partners, industry executives said.

"CSR Zhuzhou has the edge because price wise they are the lowest. But the company hasn't met with all the requirements like having a local partner or ensuring that projects carry a minimum 30% local content," gripes one representative of rival international engineering company.

As the contest to supply rolling stock and secure construction packages under the Klang Valley MRT project heats up, economists wonder how the government is going to fund this massive infrastructure undertaking.

Government officials said Malaysia is being wooed by the Chinese and UK governments, who want to provide funding on grounds that companies from these two countries will stand better chances of securing jobs. But Kuala Lumpur is leaning in favour of raising bonds from the local market.

"There is ample liquidity in the system to handle this," said a banker with a state-controlled domestic financial institution who regularly advises the government on funding issues.