KULA LUMPUR: The decision to switch the Mass Rapid Transit 3 (MRT 3) project delivery structure from a project delivery partnership (PDP) to a private finance initiative (PFI) can help save billions of ringgit, MRT Corporation (MRT Corp) managing director Datuk Shahril Mohd Salar said.

He said this would enable MRT Corp to seek the best financing arrangement, which would reduce the financial burden entailed in the project and would cost a lot less than Line 1 and 2.

"At the end of the day, it is about project viability and efficiency, and lowering boring cost, I think most of us would want to have this at the right cost," he told reporters during a briefing on the future of MRT Line 3 update, here yesterday.

Shahril said the tunnery contractor would be selected through an international tendering process. Prequalification bidding would start from Wednesday (tender briefing) until Dec 25 and the final tender will be assessed by the end of first quarter of 2014.

"In order to qualify and participate in the tender process, MRT Corp said that the selected tunnery contractor must meet the minimum financial capacity of having a paid-up capital of at least RM20 million and a shareholder’s fund of not less than RM50 million.

For the financing proposal, MRT Corp said it should include minimum funds of about RM17 billion for the feasibility and 10 years and moratorium period of eight years, while the margin of financing must not be less than 25% for the entire cost of the expected total project cost.

Shahril cited Hanoi, Jakarta and New Delhi as foreign and local cities that had used the tunnery financing with a capacity in rail construction which turned out to be great.

He said the track delivery structure would not put Malaysian companies at a disadvantage as there are local and international firms that are capable to handle the works and arrange for financing.

Local civil infrastructure companies can bid for the tunnery contract by forming a consortium or a joint venture with foreign players and more importantly with the technical expertise, he added.

"I also would like to stress that this new financing model is an option and it will be based on the best tender made," Shahril said.

In a tender notice released early this month, MRT Corp said Line 3 is expected to span 40km, stretching from the second southern ground with a total of 26 stations.

Research house CIMB Equities Research had in September forecast the Line 3 project to cost RM23.6 billion and RM3 billion and RM40 billion.

Meanwhile, Shahril said he expected the proposed rail project scheme would be approved by the Land Public Transport Commission by December 2018 and construction works could start as early as the third quarter of 2019.

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