

KTM's plans to go into profitable ventures

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KUALA LUMPUR, Wed.—Malayan Railway (KTM) has embarked on a new programme with a view to diversifying its activities to generate funds to modernise the railway instead of being caught up in the vicious circle of debt financing.

It is understood that current thinking is that self-generated funds should form the basis of development plans.

The plan to build a \$10 billion new railway network is therefore not expected to get off the drawing board as scheduled and will be postponed owing to financial constraints.

It was felt that instead of getting further into debt by beginning such a huge project promising very slow returns on investment under the existing set-up, KTM should, through privatisation, diversify and intensify its activities to generate funds to move away from being a losing concern.

The first indication of diversification of activities was the recent concert featuring well-known Japanese musician Kitaro at the Lake Gardens jointly or-

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ganised by KTM and the Business Exchange Co-operation (BEC).

Datuk Seri Dr Mahathir Mohamad had said in his message that the concert and another in Kota Kinabalu were organised not just as an "outright charity but more as seed financing for starting their own ventures in order that they may realise their true potentials."

Restrictions

It is understood that the KTM-BEC organised concert was also to demonstrate their organisational ability to catch the cyc of potential investors.

It is also learnt a body called the KTM Business Exchange Co-operation (KTM-BEC) has also been set up recently to bring together entrepreneurs to participate in viable projects, possibly with the support of venture capital, instead of borrowing and getting into debt.

Businessmen, both local and foreign, have shown interest in the ventures now being drawn up

and the mood is one of confidence that they will help KTM get out of the financial doldrums it has long been in.

It is understood that the Islamic banking principle of profit-taking instead of earning interest on loans is the approach being taken.

Thus by privatisation, KTM should be able to get past the restrictions under which it presently operates, as instead of being directly involved, the activities would be carried out by sister companies that would have the freedom to operate along private sector principles.

Dr Mahathir had announced in the middle of last year that the proposed new rail network would be developed and managed by the private sector with the Government retaining a 10 to 15 per cent stake in the service.

He had added that the network could also include other related facilities such as hotels and shopping centres to provide better returns on capital.

It was following the

Prime Minister's call to privatise the railway that efforts were directed towards translating the privatisation policy into practicable proposals for implementation.

In this respect, it is understood that businessmen after several months of planning, have come out with various concrete proposals to privatise some of KTM's existing operations and to generate funds by utilising KTM's assets.

For example, KTM has more than 11,000 hectares of land which it cannot develop as the Railway Ordinance of 1948 does not empower it to do so. This alone has considerable potential for development.

However, the new plans, it is understood, would first need the blessings of the Government.

It is felt that KTM should also begin intensifying its existing operations by privatising them, for example its

warehouses and parts of its commercial operations through a profit-oriented goods distribution network that could include a complementary network of road transportation.

Recognising the need to improve rail transportation, the original plan was to build a new double track, standard-gauge network linking Butterworth and Johore Baru and a new similar track along a totally new alignment to link Kuala Lumpur to Kota Baru via Kuantan and Kuala Terengganu.

Trimming

The proposed new standard-gauge, north-south line and a similar new line to the East Coast, were initially estimated to cost about \$5 billion each.

The new East Coast line project, which was accorded higher priority, was scaled down to about \$2 billion. The problem

was **getting** funds.

The **Japanese** International Co-operation Agency (**JICA**), which **undertook the** engineering study for **new** rail link **between Kuala** Lumpur and Kota Baru has **already** submitted the **phase one report** to the Government.

Efforts **have been directed** towards trimming **the** fat and to improve efficiency and \$5 million in additional annual **revenue** is expected from higher fares imposed in August, but **these** alone it was **felt** were not enough to **get** KTM out of the red.

Its operating revenue as at **the end** of last year was \$120 million while **operating** expenditure was \$180 million.

At **present** the Government is still the sole **source** of **KTM's** funds though it may borrow from **other** sources with **the** Treasury's approval for performing **duties** allowed by the Railway Ordinance.