

20/01/1999

The price of a smooth ride

AN INCREASE in toll charges has never failed to invite controversy, even when the economy was doing very well. The latest increase in toll charges that has been approved by the Government is, naturally, more so given the economic problems faced by the country and the people. Which was why consumer groups, non-governmental organisations and political parties had expressed their reservations about the latest increase in toll rates. The main talking point is that at a time when everybody suffers, the highway concessionaires should ideally absorb the losses and give highway users something to cheer about for a change.

Unfortunately, that will involve a lot of other adjustments that may be even less ideal. Toll rate increases - not just toll charges - are the most important factor that has enabled the Government to pass on the responsibility of constructing and maintaining highways to the private sector. The nature of the privatization of highways has always been based on the concession agreement signed between the Government and the concessionaires. What a concession agreement spells out is the willingness of the concessionaires, such as Projek Lebuhraya Utara Selatan (PLUS), the North-South Expressway and Expressway Linkaran Tengah Sdn Bhd (ELITE), to accept the huge risks involved as well as the long gestation period for each project. The toll they charge as stipulated in the concession agreements ensures that they meet all their financial commitments over a long period of time. These companies depend heavily - sometimes solely - on toll collections to service their loans.

An adjustment to the toll rate is made periodically and this is also stipulated in the concession agreement. By right, the exercise should be academic but there were exceptions to the rule. In late 1997, for example, the Government decided to defer a scheduled increase in toll charges because of the economic difficulties arising from the currency problems facing the region. When such happens, the Government will have to compensate the concessionaire or the company involved will have to seek a longer concession period. The concessionaire may also be forced to restructure its loans with the banks as its original forecasts over the concession period may no longer be applicable. From an investor's standpoint, going back on what has been agreed upon is not ideal at all. While there are no foreigners involved in the related highway projects, there are several participating in other Government privatized projects. A way out is never simple and the Government's predicament in the case of the latest round of toll rate increases begs the understanding of highway users. After all, according to Prime Minister Datuk Seri Dr Mahathir Mohamad, the Government has decided to absorb 60 per cent of the actual toll charges to be imposed. Hence, while the toll increase means the Government does not have to pay 100 per cent compensation to highway concessionaires, it has been approved at a great cost to it. The ideal thing, which is for the companies to give toll rate increases a skip, may be a bit too much to ask right now given that the companies are also facing great difficulties.

The investment involved in building and then maintaining a world class highway like the 848km North-South Expressway is huge. The price the users have to pay - considering how many times the toll charges have been increased over the last decade - is also not small. At the end of the day, however, the price highway users pay must be measured against the benefits

they derive from using the facility. From the very beginning of the privatization programme, the Government has said that there will be alternative roads for those who do not wish to use privatized highways and roads. As long as these alternatives continue to be made available, motorists will always have a choice as to the route they wish to take.

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