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Govt reviewing plan to acquire LRT operations (HL)

Francis Fernandez

A RETHINK by the Government of plans to acquire the assets of Kuala Lumpur's two light rail transit (LRT) operators for RM5.5 billion may have to take into account the interests of the projects' lenders.

It was the Government's backing that helped convince banks of the projects' viability and their loans exposure to the two companies deserves to be addressed, analysts said.

Prime Minister Datuk Seri Dr Mahathir Mohamad said yesterday that the acquisition of the LRT operations of Projek Usahasama Transit Aliran Ringan (Putra) Sdn Bhd and Sistem Aliran Ringan (STAR) Sdn Bhd would be reviewed.

"We are studying to see whether we should buy or not (the assets) or whether we should find some ways of making the operations viable," a Bernama report quoted him as saying.

The reason the LRT services are not financially viable is because the operators were not allowed to charge a full fare as this would have placed a big burden on the public, he said.

"If they are allowed to charge the full fare, they will be very successful because the ridership of Putra, for example, is very high, almost three million passengers a month," he said.

The Prime Minister was speaking in Rawang at the launching of a monorail train made by local company Malaysia Technology Sdn Bhd (MMT) for the KL Monorail project.

The acquisition of the assets forms the first part of a comprehensive plan to overhaul the city's transport system.

Among the local banks that has some form of exposure to the projects are Commerce International Merchant Bankers Bhd, PhileoAllied Bhd and RHB Bank Bhd.

The Government had last year said it would take over the assets of Putra and STAR and finance the exercise via a series of five- to 15-year government bonds that carry a coupon rate of between 5.8 and 7.2 per cent.

Payment from the Government was to have been made in April, but an extension was sought. Banking sources said the new June 30 deadline to pay off the lenders might now be missed as well due to technical reasons.

As for a review of the acquisition, they declined comment pending further details.

"Let things get a little clearer," a bank official said when contacted.

One question is whether the Government is thinking of moving directly to the next phase of the original proposal to consolidate Kuala Lumpur's transport system.

Industry sources said two proposals on the matter have in fact been submitted to the relevant authorities.

One involves inviting tenders for the takeover of the LRT operations and the other the setting up of an entity to manage Klang Valley's public transport system.

The second proposal would see bus companies merging and their assets injected into a transport corporation prior to its initiation of a management buyout of the LRT assets.

The bus companies in question are Park May Bhd and Intrakota Consolidated Bhd, the former owned by Renong Bhd and the latter is a subsidiary of DRB HICOM Bhd.

Park May operates bus services throughout the Klang Valley while

Intrakota serves the Kuala Lumpur and Petaling Jaya areas.

A finance manager close to one of the LRT operators said the two networks are in fact operationally viable, but their bottom lines are being adversely affected by hugh repayments of the projects' infrastructure development costs.

He contends that the operators should not be made to bear these costs as even in the developed countries, governments normally assume a big part of the burden.

There is a case for the authorities to assume the debts and then allow the LRT operators to manage the operations, he added.

On the locally-produced monorail train, Dr Mahathir said the original plan was to import it but the Government was so impressed with the prototype train produced by MMT that it changed its mind.

MMT chairman David Chew said that the train produced by his company is 50 per cent cheaper than an imported one.

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