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MAHATHIR-LRT

GOVT STILL EVALUATING TERMS OF TAKEOVER OF LRT

KUALA LUMPUR, Sept 1 (Bernama) -- The government is still evaluating the terms of the takeover of the operators of the two Light Rail Transit (LRT) systems in the Klang Valley, Prime Minister Datuk Seri Dr Mahathir Mohamad, said today.

However, he said the government would definitely take over Sistem Transit Aliran Ringan Sdn Bhd (STAR) and Projek Usahama Transit Ringan Automatik Sdn Bhd (PUTRA) to restructure the transportation system in the area and ensure the smooth running of the rail services for the welfare of the people.

"We have to ensure that the terms of taking over benefits the country and the people," he told reporters after opening the Malay Education Congress here.

He was responding to newsreports that the government had revived the plan to take over the two LRT operators and convert RM5.32 billion of their overdue loans into bonds.

The two companies found it difficult to repay their loans due to low passenger traffic.

The report said that the government plans to acquire 80 percent of the city's rail system, leaving Renong Bhd, which owns PUTRA, Taylor Woodrow Pls, state-run pension funds and other shareholders with the rest.

Under a plan mentioned in the report, the Ministry of Finance Inc will own 80 percent of Syarikat Prasarana Negara Bhd, which will buy the rail companies.

Syarikat Prasarana will then buy the loans from creditors by issuing bonds to them with a maturity of between five and 15 years at coupon rates of between 4.0 percent and 5.40 percent.

The government last December announced that it would acquire the assets of STAR and PUTRA by issuing bonds totalling RM5.5 billion via a Special Purpose Vehicle (SPV) to assist the LRT operators, but three months ago, said it was rethinking the plan.

Last March, Deputy Finance Minister Datuk Shafie Mohd Salleh told the Dewan Rakyat that STAR and PUTRA would use the bonds to settle their commercial loans and also to convert government loans totalling RM2.275 billion to equities in the SPV.

He also said that the total value of the assets to be acquired will be subjected to an assessment by an independant consultant.

The government will later lease out the acquired assets to STAR and PUTRA to enable them to continue the LRT services.

However, the government has clarified that the move was not a bailout but was due to the "step in" clause in the franchise/concession agreement which requires the government to take over the liabilities of the current LRT companies if there was an "event of default."

The objective of the clause is to ensure that the LRT services will not be obstructed. Also, there is a need to avoid the systemic risk effects on the banking system due to non-payment of loans.

Dr Mahathir said the problem was that Malaysians want first class treatment but were only willing to pay third class fee.

Asked when the government would decide on the terms of the takeover, he said: "God willing, give us a little time." -- BERNAMA

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