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On the right track

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WHILE officials put flesh to the recent agreements between Malaysia and Singapore to resolve their outstanding issues, the tracks are beginning to light up for Keretapi Tanah Melayu Bhd (KTM).

Excluding land that has already been committed by KTM, the national railway company still has 1,480 hectares suitable for development. But the jewel is its 68 hectares in Tanjong Pagar, Singapore. Conservatively, that piece of land is worth nearly RM2 billion and is likely to be just the stimulus needed to goad potential acquirers into action.

Marak Unggul Sdn Bhd, a consortium headed by Renong Bhd, has been handling the management of KTM since Aug 1, 1997. The other members of the consortium are DRB-Hicom with 25 per cent, Bolton Bhd with 15 per cent and Jasa Meta Sdn Bhd with the remaining five per cent.

However, it is learnt that the Government will not renew Marak Unggul's management contract when it expires in December this year.

Developments within Renong, which is seeing a change in its top management, and KTM's ballooning debts are among the reasons for the Government's decision. Green-eyed corporations are already poised to bid for the KTM privatisation project in order to secure an opportunity to develop the land in Singapore.

In recent years, interest in KTM waned because it did not seem to have any lucrative land left for development. Debts escalated amidst losses which over the past four years have exceeded RM400 million. Debts were at RM953.1 million as of December 1998.

The best of KTM's property had already been parcelled out before Marak Unggul came into the picture. Besides the land in Singapore, the remaining worthy piece of real estate is a 7.8-hectare site along Jalan Bangsar in Kuala Lumpur where the present Unilever office stands.

It is learnt that KTM and Unilever have finally reached an interim agreement on the land. Sources say that Unilever, in return for giving back the land to KTM before the lease expires, will get to utilise a small portion to build its office building.

The unresolved status of KTM's land in Singapore has always been a thorn in relations between it and Malaysia. KTM wants to develop the land but under the agreement the land has to be returned to Singapore if it were utilised for purposes other than railway services. Singapore is also in a fix because it wants the land back but it cannot force KTM out.

In the early 1990s, Tun Daim Zainuddin, the then Finance Minister, led a delegation for talks to resolve the issue. The Malaysian delegation was pressing for a deal whereby KTM would give up its land in return for a plot of equal value. However, the Singapore party apparently offered only one acre of reclaimed land. The meeting stopped at that until Prime Minister Datuk Seri Dr Mahathir Mohamad and Singapore Senior Minister Lee Kuan Yew reached an agreement earlier this month.

Besides KTM land in Singapore, both leaders also agreed on the sale of water to Singapore, the relocation of the Malaysian Customs, Immigration and Quarantine facility in Tanjong Pagar and the construction of a bridge to replace the existing causeway. Also agreed upon were issues relating to the use of Malaysian air space by the Singapore Air Force and withdrawal of contributions from the Central Provident Fund by Malaysians.

For the RM2 billion bridge, the Malaysian part will be constructed by Konsortium Gerbang Perdana. It is 60 per cent owned by Merong Mahawangsa

Sdn Bhd and 20 per cent each by wholly owned subsidiaries of DRB-Hicom Bhd and Transwater Corporation Bhd. Ibex Corp Amalgamated Sdn Bhd owns Merong Mahawangsa.

The futuristic bridge will come in handy for Transwater which is one of the 91 companies listed on the stock exchange with negative shareholders' funds. Its negative figure is RM6.9 million.

Lee's comments on wanting to resolve the outstanding issues with the present Malaysian Government attracted much interest. Although Umno has its fair share of problems, closer scrutiny will reveal that Lee's apprehension of Pas coming to power is not really new. He has stated his views on the matter before.

But realistically, the chances of Pas coming to power is highly improbable, considering the multi-racial composition of the country. Pas cannot even win the heart of its partner in the opposition front, DAP.

Politics aside, the truce between Malaysia and Singapore is a harbinger of better things for the two economies. With the bleak external sector, both countries need to boost domestic investment and consumption.

What better way to do that than by paving the way for the construction industry. Redevelopment of the KTM yard in Tanjong Pagar will have a significant multiplier effect on the Singapore economy.

At the same time, Malaysia could do with some help in marketing a bleeding KTM.

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