

16/11/2003

## Double-tracking rail vision

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THERE is a saying that if a venture at its initial stage goes through a baptism of fire, then the chances of it succeeding are better.

First, it was the RM6 billion North-South Expressway project in 1985. When it was awarded to United Engineers (Malaysia), it was a "political punching bag".

Every other person had something to say. The project was even debated at length in Parliament and in court. But at the end of the day, the Government went ahead and completed the project.

Today, thousands of motorists are happily using it, especially during festive periods. Everyone boasts what a breeze it is to drive north or south.

The most they complain about are rising toll charges, congestion during festive periods and that there are not enough such expressways.

Next came the RM13.6 billion Bakun hydroelectric power project. When it was first awarded to Ekran, it was also a "political punching bag".

Initially, the project failed to get off the ground not because of the criticisms but because the 1997-98 financial crisis made Ekran unable to continue with it.

Today, the project has been given to another group of companies, but very much reduced in size and at a lower cost of RM4.5 billion.

Yet again, the project faced a barrage of criticism. Despite that, it is very likely that Bakun will be completed. By then, no one will be complaining, especially those in Sarawak and Sabah, some of whom will be enjoying electricity for the first time.

Today, everyone is turning their guns on the RM14.448 billion double-tracking electrification rail project, again making it a "political punching bag".

Again, as with the N-S Expressway and Bakun, most of the criticisms are emotional. The controversy has, as International Trade and Industry Minister Datuk Seri Rafidah Aziz said last week, "been blown out of proportion".

Eventually, it will still get off the ground and completed in the three to four years that the Malaysian Mining Corporation and Gamuda team promised.

In clearing the emotional haze over the project, it would be best to retrace the timeline of events that led to the outcry.

The Timeline: The project had its beginning some eight years ago at the Asean summit meeting when former Prime Minister Tun Dr Mahathir Mohamad put forward the idea of a Pan-Asian railway network, connecting China and Southeast Asian countries.

The railway, covering some 5,600km and starts from Kunming, capital of southwest China's Yunnan province, and was to run through Vietnam, Cambodia, Myanmar, Thailand, and Malaysia before reaching Singapore.

Two to three years ago, Malaysia started planning for the local segment of the Pan-Asian railway, setting aside some RM4.5 billion under the Eighth Malaysia Plan for the double-tracking project.

(Double-tracking means the construction of a new track parallel to the existing one to enable two-way train traffic. The tracks are electrified for high-speed trains, which will cut travelling time considerably).

Even at that time, reports had it that the project might eventually cost "a whopping RM16 billion", far more than what was envisaged.

The Government commissioned a study to establish the economic viability and engineering profile of the project, which was to link Ipoh with Padang Besar in the north, and Seremban with Johor Baru in the south. The consultants put a price tag of about RM18 billion.

The Government then picked Indian Railway Construction Co (Ircon) and the China Railway Engineering Corp (CREC) for the job. Both received letters of intent in mid-2002 to proceed.

According to the Indian newspaper Financial Express, a follow-up contract was to be signed last December, but was delayed because of "local pressures".

Ircon, a State-run engineering and construction firm, was to handle the northern line of 338.8km, while CREC and its local partners (DRB-HICOM, Emrail and the Kien Huat Group) were to work on the 297km southern line.

Originally, Ircon and CREC submitted a bid for RM43 billion for the total length of 635.8km. The final figure was to be adjusted pending the issue of the so-called Statement of Needs (SON), which is a set of technical specifications.

Ircon, which had carried out field surveys with a 27-man staff at its Malaysian office, was reported to be waiting for the SoN from the Ministry of Transport.

The Ircon-CREK bid was at government-to-government level whereby both were to be paid with crude palm oil under a RM12 billion counter-trade arrangement, which would see the delivery of some eight million tonnes over five to six years to both countries.

Malaysia gave its endorsement to the counter-trade deal in a memorandum of understanding signed during Prime Minister Atal Behari Vajpayee's visit to Malaysia in May last year.

The Entry of MMC-Gamuda: The MMC-Gamuda team came into the picture when it became aware of the bid price of RM43 billion. It made a quick assessment and decided that the price should not be that high - at most, half of it.

Meanwhile, questions were asked as to why a foreign consortium should be given such a huge project at such an extremely high price. Opinions were also expressed that even if neither MMC nor Gamuda got the job, the price should be reduced to a more acceptable level.

So, the financial whizkids at Gamuda reworked the figures, using the same set of technical specifications as those given to the Ircon-CREK team.

When the RM14.448 billion figure was presented to MMC, the company could not believe its eyes. MMC checked the figures and had to concur with what Gamuda had come up with.

Thus, both MMC and Gamuda put in a bid for the project and a comprehensive presentation was made to Dr Mahathir.

The National Vision: The situation was tricky as there was already a bid at RM43 billion on the table.

What was presented to Dr Mahathir was a comprehensive transport plan with a completely new perspective and a national vision that would take Malaysia's transportation system well into the next few decades.

The long-range concept brought into focus not just a vision but also the reason why such a mega-project should be undertaken.

What MMC-Gamuda came up with was a total concept whereby the project would form part of the whole transportation jigsaw that would include the North-South Expressway, and the creation of a national logistics hub linking airports, ports, roads and rail.

To make the whole concept work, Keretapi Tanah Melayu must be part of the equation. For that, the MMC-Gamuda bid included the privatisation of KTM, with the consortium agreeing to inject some RM700 million into the

loss-incurring outfit to keep it afloat and, hopefully, to turn it around.

What MMC-Gamuda presented was a national vision for the next few decades whereby a new railway network would, as in the North-South Expressway, open up the west coast of the peninsula even further, bringing fast-track development to areas that hitherto would not see such development for decades to come.

More importantly, industrial development in local areas would pick up pace as factories would likely be sited near railway stations to easier transport their products to ports or airports, and bringing in raw materials.

In terms of cargo movement, the lowest cost per tonne is by sea, followed by rail, road and, lastly, air. However, cargo moved by sea takes 48-50 hours from north to south of the peninsula, while by rail it takes 10-12 hours.

With the new main line in place, opportunities will abound. Branching out of lines from the main line to areas of industrial activity will be possible. Eventually, it will create centralised cargo collection depots along the 635.8km new network.

The new rail network will also enhance the importance of the Port of Tanjung Pelepas (PTP) and strengthen its hand in competing with Singapore.

Looking further ahead, the new rail network will dovetail well into Thailand's massive plan to develop the southern part of the country into a regional oil trading centre. Thailand is also going ahead with developing an overland Kra canal for moving cargo between the Andaman Sea and Gulf of Siam.

Even more importantly, from the passengers' point of view, the new rail network provides travellers with a safer, more convenient and faster alternative to congestion on the roads and at airports during festive seasons.

The Questions: Numerous questions have been asked about the rail project, for which answers are few or none.

One question: How was it the Ircon-CREC team was able to make a bid of RM43 billion? What would have happened if the Government had accepted that price?

Also: How come Ircon-CREC, on learning that MMC-Gamuda had made a bid at RM14.448 billion, was able to keep reducing its price to about RM17 billion?

If the Ircon-CREC team could be forced to bring down the price to RM17 billion, would that mean that if the Government had accepted the original price of RM43 billion, the country would have over-paid by RM26 billion? Many have asked: Is the project viable?

Whether it is viable or not is a question that should have been asked two to three years ago when it was mooted and not now, when the Government has decided to go ahead with it.

Could it be done at the RM14.448 billion price tag? It is inconceivable for companies like MMC and Gamuda to submit a bid at a price which they could not earn them a profit. No sensible company would want to lose money on a contract.

Then there is the question of the variation in costs, reported to be at least 30 per cent. The MMC-Gamuda bid is made on a fixed price basis. So if there are cost overruns, these would have to be borne by the main contractors.

And from a rationale business point, would MMC-Gamuda be so foolish as to submit a bid if the cost over-run would be as much as 30 per cent?

Billion-ringggit contracts cannot be treated lightly. Every calculation must be to the last sen. Many in the construction industry know that when Gamuda submits a bid, the job can be done at the price submitted.

Many have also asked: Are MMC and Gamuda capable of handling the job? At least 80 per cent of the work to be done is civil engineering works, such as laying the tracks. Gamuda and MMC are essentially civil engineering groups, and both have experience in rail construction.

Another issue is the "possible retaliation" by the Indian and Chinese Governments over the failure to secure the rail contract, and this could come from not buying Malaysian crude palm oil.

Primary Industries Minister Datuk Seri Dr Lim Keng Yaik last week touched on the feelings of the Indian and Chinese parties. "Of course they are not happy after having negotiated for three years, and unceremoniously told that the Letter of Intent had been cancelled. Who will not be angry".

But Rafidah put it aptly when she said that if the basis of bilateral relationship was based on "something as flimsy as contracts, then that will be a porous and fragile relationship" adding that "if relationships are based on that, we will never form alliances among ourselves".

The Outcome: It is unfortunate that MMC and Gamuda did not have a wellplanned public relations strategy in the beginning.

This mistake provided the critics with more than sufficient ammunition for a well-co-ordinated assault.

If the North-South Expressway and Bakun projects are any indication, the double-tracking rail network will materialise.

At the end of the day, the Indians and Chinese will come to their senses, look at the bigger picture and rise above the loss of one contract.

Above all, the RM14.448 billion doubletracking electrified rail project will have passed the baptism of fire, like all other mega-projects before it.