

13/12/2003

Visionary idea may just be that

Deborah Loh

THE idea of a high-speed trans-Asian railway link from Singapore to Kunming, China, excited many at the time of its proposal in 1995, being the brainchild of former Prime Minister Tun Dr Mahathir Mohamad, who introduced it at the Asia-Europe Meeting (Asem) that year.

It drew high praise from regional heads, who hailed it as a visionary idea that would bring progress to Asia's hinterland, especially in Cambodia, Vietnam and Laos.

It even whetted the appetites of European countries who saw investment opportunities in the 5,500-km project, triggering talks that the trans-Asian line might link up with Europe through Central Asia.

However, the Malaysian section of this ambitious plan - the RM14.5 billion electrified double-tracking link from Johor Baru to Padang Besar - is likely to be postponed.

(Double-tracking means laying a second track parallel to the existing one to enable two-way train traffic. Electrified tracks allow the use of high-speed trains, cutting travel time significantly.)

Prime Minister Datuk Seri Abdullah Ahmad Badawi recommended the postponement in Japan yesterday, on grounds that the Government was committed to other socio-economic projects and reducing the national deficit. The Cabinet will make a final decision next week.

Construction of the local segment of the link was placed under the Eighth Malaysia Plan (2001-2005), involving 338.8km of the northern grid from Ipoh to Padang Besar, and the 297km of the southern grid from Seremban to Johor Baru.

A Government-commissioned study on the project's economic viability came up with a RM18 billion price tag.

Two foreign companies - the Indian Railway Construction Co (Ircon) and the China Railway Engineering Corp (CREC) - were picked for the job.

Ircon were to handle the northern line and CREC the southern grid. They jointly submitted a bid for RM43 billion for the total length of the track. Both received letters of intent in mid-2002.

In return, the Government would pay both countries with eight million tonnes of crude palm oil over six years under a counter-trade agreement.

In May last year, Malaysia signed a memorandum of understanding with India on the counter-trade deal during Prime Minister Atal Behari Vajpayee's visit here.

Enter the Malaysian Mining Corporation Corp Bhd (MMC) and Gamuda Bhd with their joint bid of RM14.5 billion after conducting their own assessment of the project.

They presented it to Dr Mahathir as part of a national fast-track development strategy that would include rail links between major ports on the west coast. They also proposed the privatisation of Keretapi Tanah Melayu Bhd to the consortium.

MMC-Gamuda promised to complete civil works for both northern and southern grids in three years if they won the contract.

In August, Dr Mahathir said Ircon and CREC lowered their bid to RM24 billion after being told their original quotation was too high, and that the project would still be open to them pending the Government's decision.

In early October, unofficial reports said MMC-Gamuda had won the contract with their RM14.5 billion bid, confirmed when the consortium received a letter of award from the Transport Ministry on Oct 21.

Gamuda, in a statement to the Kuala Lumpur Stock Exchange, said the project contract was awarded as a joint venture to MMC-Gamuda on a 50-50 basis.

The consortium had been appointed main contractor for the civil works

and lead contractor for the whole project.

Concerns arose that the sidelining of Ircon and CREC would affect ties with India and China. Primary Industries Minister Datuk Seri Dr Lim Keng Yaik highlighted fears of a possible anti-palm oil backlash.

Transport Minister Datuk Seri Chan Kong Choy then said letters of intent issued to Ircon and CREC were "non-binding."

A former partner of Gamuda's, Keretapi Trans-Asia Bhd (KTAB) threatened legal action for breach of an earlier joint venture agreement on the Seremban-Kluang double-tracking sector.

Gamuda replied that the claim had no legal basis as an earlier pre-bid agreement signed did not prevent Gamuda from securing the project through other means or with other parties.

On Nov 5, Abdullah said the Government's decision to award the project to MMC-Gamuda was based on cost-effectiveness.

On Nov 18, Abdullah said finer details of the project were still under negotiation and a conclusive agreement had not yet been signed with the consortium.

Earlier this month, Ircon and CREC were still in the running, no longer for the entire project but to handle portions. Works Minister Datuk Seri S. Samy Vellu said Ircon had agreed to lower its offer price.

Abdullah's sudden announcement yesterday dampened the KLSE and saw Gamuda and MMC shares drop.

Next Wednesday's Cabinet meeting will be a much anticipated one.