

WHAT THEY WROTE IN THE FOUR LETTERS

THE Government yesterday released four letters between Tun Dr Mahathir Mohamad and two former Singapore prime ministers, Lee Kuan Yew and Goh Chok Tong. The letters, written in 2002, reveal details of bilateral discussions on a range of issues, including the bridge to replace the Causeway. These confidential documents were declassified to allow Malaysians to understand why the Government reached the decision to abort the bridge project to replace the Causeway. And in doing so, it has set the record straight on a string of allegations raised by Dr Mahathir, namely that:

- The Singapore Government accepted Malaysia's proposal to build a half-bridge.
- The bridge was not part of the package of outstanding bilateral issues.
- The Malaysian Government was "half past six" and lacked guts by not going ahead with the crooked bridge project.
- Malaysia put the issue of selling sand and allowing the Republic of Singapore Air Force to use its airspace on the negotiating table.

Context It was in this letter that Tun Dr Mahathir Mohamad set out the package of issues to be discussed between Malaysia and Singapore. He also says that Malaysia may consider allowing the Republic of Singapore Air Force use of its airspace. This nullifies the allegation that airspace was mooted by the current government under Prime Minister Datuk Seri Abdullah Ahmad Badawi.

MALAYSIA-SINGAPORE PACKAGE OF FIVE ISSUES

MALAYSIA'S PROPOSALS

1. WATER

1.1961 Water Agreement

Under Clauses 4 (D) and 8 of the 1961 Agreement, Singapore has the full and exclusive right and liberty to draw off, take, impound and use all (raw) water from the Tebrau River and Skudai River with payment of 3 cents for every 1,000 gallons.

Clause 17 of the 1961 Water Agreement provides for a price review of (raw) water 25 years after signing of the Agreement.

1.21962 Water Agreement

Under Clause 5(i) of the 1962 Agreement, Singapore has the full and exclusive right and liberty to draw off, take, impound and use the (raw) water from the Johore River up to the maximum of 250 million gallons per day with a payment of 3 cents for every 1,000 gallons.

Clause 14 of the 1962 Water Agreement provides for a price review of (raw) water 25 years after signing of the Agreement.

1.3 New Water Agreement

The 1961 and 1962 Agreements will be allowed to expire in 2011 and 2061 respectively.

There will be a new agreement effective from 1 January, 2002 and valid for 100 years, incorporating all the terms &

conditions as mentioned in paragraphs 1.4, 1.5, 1.6, 1.7 and 1.8. This new agreement will be allowed to run concurrently with the 1961 and 1962 Agreements.

1.4 Composition

After the expiry of the 1961 Agreement in 2011, the supply of raw water from Sungai Skudai and Sungai Tebrau will cease. Instead, Malaysia will supply 100mgd. treated water from Sungai Sedili.

After the expiry of the 1962 Agreement in 2061, the supply of 250mgd. of raw water from Sungai Johor will cease. Instead, Malaysia will supply 150mgd of treated water and 100mgd. of raw water from Sungai Sedili.

1.5 New Price of Raw Water

Effective 1 January 2002, the new price of raw water under the 1961 and 1962 Water Agreements will be 60 sen per 1,000 gallon until 31 December 2006. This new price of raw water under both agreements should commence from 1 September 1986 and 29 September 1987 respectively.

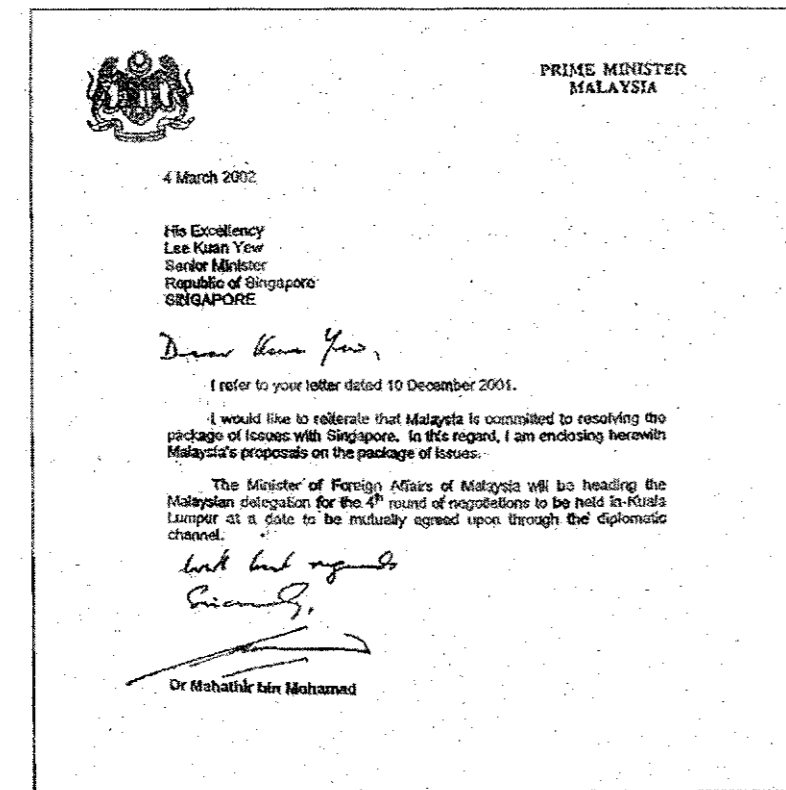
Effective 1 January 2007, the new price of raw water under the 1961 and 1962 Water Agreements will be RM3.00 per 1,000 gallon until 31 August 2011. Effective 1 September 2011, i.e. after the expiry of the 1961 Agreement, the price of raw water to be supplied under the 1962 Agreement will be based on the following formula:
Price in 2011 = Price in 2010 x (1+A2010)

Price from 2012 to 2061 = Price in 2011 x (1 + A2011) to price in 2061 = 2060x(1+A2060)

Where, A2010 = Average Inflation rate of Malaysia and Singapore (op) in 2010

A2011 = Average Inflation rate of Malaysia and Singapore (op) in 2011

Three years before the expiry of the 1962 Agreement, i.e. in 2058, Malaysia and Singapore should negotiate and



agree to a new formula for the supply of raw water to Singapore taking into account the circumstances then.

1.6 Treated Water

Under Clause 14 of 1961 Agreement, Singapore shall supply to Johore upon receiving written notice from Johore treated water amounting to 12 percent of the total quantity of (raw) water supplied to Singapore.

Under Clause 11 (i) of 1962 Agreement, Singapore shall supply to Johore upon receiving written notice from Johore treated water amounting to 2 percent of the total quantity of (raw) water supplied to Singapore.

1.7 New Price of Treated Water

Effective 1 January 2002, the price of treated water purchased by Johore will be RM1.00 per 1,000 gallon. Upon the expiry of the 1961 Agreement, Johore will supply 100mgd. treated water from Sungai Sedili to Singapore based on the following formula:

Ptw2011 = JWAT2001 + {50% (SWAT2001 - JSP2001 - SDCAT2001)} [1-A2001] [1-A2002]... [1-A2011]

Where:
Ptw 2011 = Price of Treated Water in year 2011

JSP2001 = Johor Selling Price of Raw Water in year 2001

JWAT2001 = Johor Weighted Average Tariff in year 2001

SDCAT2001 = Singapore Distribution Cost and Administration Cost in year 2001

SWAT2001 = Singapore Weighted Average Tariff in the year 2001

A = Average inflation rate of Malaysia and Singapore

i.e. $\frac{CPI_m + CPI_s}{2}$
CPI m = Malaysian consumer price

index

CPIs=Singapore consumer price index
Malaysia and Singapore should negotiate and agree to a new formula for the supply of treated water to Singapore once every 20 years taking into account the circumstances then.

1.8 Related Issues

The new agreement may consider incorporating but not limited to the following terms:-

i) all installations at Gunung Pulai, Sungai Tebrau and Sungai Skudai will revert to Malaysia on the expiry of the 1961 Agreement in 2011;

ii) all installations at Sungai Johor will revert to Malaysia on the expiry of the 1962 Agreement in 2061;

iii) Malaysia will bear the cost of the construction of water pipelines from Sungai Sedili to connect to the Singapore water pipelines;

iv) after 2011, the supply of 100mgd. of treated water will be undertaken by a Malaysian owned company; and

v) after 2061, the supply of both raw and treated water will be undertaken by a Malaysian owned company.

BRIDGE AND RAIL

2.1 Bridge

A new bridge will be built to replace the Causeway. Malaysia will build the bridge on the Malaysian side at its own cost while Singapore will build the bridge on the Singapore side at its own cost. The bridge will connect at the common boundary in the Straits of Johore. Once the bridge is completed, the Causeway will be demolished.

Should Singapore decide not to build the bridge on its side, Malaysia intends to build the bridge on the Malaysian side at its own cost. The new bridge will join the remaining Causeway on Singapore's side. Once the bridge is completed,

ed, the Causeway on the Malaysian side will be demolished.

2.2 Rail

Malaysia will build a new railway bridge across the Johore Straits. This railway bridge will include a railway swing bridge on the part of the Johore Straits that will be deepened for navigational purposes.

Should Singapore decide not to build the bridge to replace the Causeway on its side, Malaysia will build a railway bridge on its side in the Johore Straits. This railway bridge will include a railway swing bridge on the part of the Johore Straits that will be deepened for navigational purposes. The new railway bridge will join existing railway track on the remaining Causeway on Singapore's side.

The Malaysian Government will continue to operate the train service to Tanjung Pagar. The service staff for ticketing and management of train service will remain in Tanjung Pagar.

Should the Singapore Government request the Malaysian Government to terminate its train operations at Kranji, the following terms will apply:

i) Malaysia will be adequately compensated for the three pieces of land identified under the Points of Agreement (POA) i.e. Land at Keppel, Kranji and Woodlands and all Railway lands belonging to the Malaysian Government in Singapore not mentioned in the POA. The compensation will be based on the current market value of the land; and

ii) valuation of land will be conducted by consultants as agreed by both sides.

2.3 Water Pipelines

New water pipelines on the Malaysian side will be installed by Malaysia and will reconnect with the Singapore water pipelines under the new bridge.

Should Singapore decide not to build the bridge to replace the Causeway on its side, the new water pipelines on the part of the Johore Straits that will be deepened for navigational purposes will be buried under these seabed and will reconnect with the Singapore water pipelines.

Under the 1990 Points of Agreement (POA), Malaysia had to agree to move the KTM railway station from Tanjong Pagar to Bukit Timah.

I recall, however, that you had proposed at our meeting in Hanoi in 1995, to relocate your railway station to Kranji. I agreed to this proposal in my meeting with Abdullah Badawi when he visited Singapore in February last year. I confirm here that Singapore is prepared to accommodate such a variation to the POA within the bilateral package.

You had later also proposed a railway tunnel from Johor to Singapore. But I read from your letter that you have now decided on a railway swing bridge because of the high cost of constructing the tunnel. I can go along with this proposal.

Since you intend to operate an electric train in the future, I suggest you revisit your Kranji station proposal. You could run your train in an underground tunnel from the Singapore end of your railway swing bridge to the KTM station in Kranji. This will take rare of the

4. CENTRAL PROVIDENT FUND (CPF)

The Singapore Government will amend the relevant legislation to enable workers regardless of age, from Peninsular Malaysia who have returned to Malaysia to withdraw their CPF deposits within the period of two years.

Malaysians currently working in Singapore will receive similar treatment as other foreigners with regard to their CPF withdrawals.

Malaysia may consider providing appropriate facilities for the use of its airspace by the Singapore Air Force

5. AIRSPACE

Malaysia may consider providing appropriate facilities for the use of its airspace by the Singapore Air Force

4 March 2002

Context: Singapore Prime Minister Goh Chok Tong replies to Dr Mahathir's letter to Senior Minister Lee Kuan Yew. In it, he says that he prefers the idea of a straight bridge instead of a half-bridge. He also sounded confident that progress could be made on the use of Malaysian airspace and the withdrawal of Central Provident Fund savings. But all in the context of negotiating the issues as a package.

11 April 2002

YAB Dato' Seri Dr Mahathir bin Mohamad
Prime Minister
Malaysia

Dear Mahathir,

I refer to your letter of 4 March 2002 to Senior Minister Lee Kuan Yew, and his reply of 11 March.

Before Kuan Yew visited KL in August 2000, he suggested that he discuss the outline of an agreement with Daim, which both of us could later consider and endorse. He hence addressed his letters to Daim. However, since you wrote to him, he corresponded and negotiated with you with my approval.

I have now decided to handle directly our discussion on the bilateral package.

I have taken some time to mull over my reply to you, because I wanted to find the best way forward from here to secure for the long-term, a stable, win-win relationship for our two countries.

I have discussed with my Cabinet colleagues the proposals contained in your letter, and have the following comments.

1. Bridge

Between a new bridge to replace the entire Causeway, and one to replace just the Malaysian side of the Causeway, I like the former better.

Once, the new bridge is completed, the Causeway can be knocked down, which I prefer to be done after 2007.

But if you wish to proceed immediately to replace just your side of the Causeway with a bridge, I shall accept it, though I think this is not ideal.

2. Railway

I note that you have decided to relocate your CIQ to Johor Baru.

You also indicated that you would continue to operate the train service to Tanjong Pagar.

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4 March 2002

problem of unsightly overhead catenaries. If you are concerned about the cost of constructing this tunnel, Singapore can help defray a portion of it.

3. Water

I do not want our bilateral relations to be always strained by the issue of water. I am saddened by the constant emotional rhetoric in the media over Malaysia's supply of water to Singapore.

For the sake of good long-term relations, my colleagues and I have decided that Singapore will produce as much water by ourselves as we can, to supplement the existing Water Agreements.

We have just called a tender for a 30mgd desalination plant, which will be ready by 2005.

We have also been operating a 2.2mgd plant to produce NEWater (reclaimed water) using membrane technology for two years now. It has proven to be successful and economical. We have therefore decided to ramp up our programme to produce NEWater, to replace the supply of water under the 1961 Water Agreement when it expires in 2011.

But we will be happy to still buy from Johor's modest quantity of treated water, say, 10mgd or 20mgd, from 2011, after the expiry of the 1961 Water Agreement, to 2061, if Johor remains keen to sell.

As for water after 2061 when the 1962 Water Agreement expires, I accept your offer of 100mgd of raw water and 150mgd of treated water.

However, your proposal for a new water agreement to run for 100 years from 1 January 2002, means, in effect, a water agreement of only 40 years, since the 1962 Water Agreement will expire only in 2061. Our discussions have always been on the basis of an agreement for the 100 years from 2061.

On pricing, in your letter of 21 February 2001 to Kuan Yew, you had proposed that raw water be priced at 60 sen, which Johor considered a fair price. Singapore offered a revision from 3 sen to 45 sen for raw water under existing agreements, and accepted your proposal of 60 sen for raw water under a new agreement. I note that you have not accepted this counter-offer from us. May I explain that this counter-offer took into account our concessions in the other parts of the package, for example, the additional 12 parcels of Malayan Railway land.

You have now proposed another pricing arrangement where, among other things, a new formula for the price of raw water after 2061 is to be negotiated in 2058, and the formula for the price of treated water Ls to be renegotiated every 20 years, taking into account the circumstances then. Having reflected further on this matter of pricing, I agree that it would be difficult for us to fix now, the price of water to be supplied many decades in the future.

However, we need a definite basis for all future price revisions throughout the period of the agreement. Otherwise, there will be no

Prime Minister
Singapore

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SPOTLIGHT

Context: Dr Mahathir writes to Singapore PM to signal Malaysia's intention to stop trying to resolve outstanding bilateral issues as a package. These issues include water supply and the use of Malaysian airspace.

7 October 2002

His Excellency
Mr Goh Chok Tong
Prime Minister
Republic of Singapore

Dear Chok Tong,

I am writing in regard to the decision that we reached on 27 December 1998 in Hanoi for Malaysia and Singapore to resolve, once and for all, the outstanding issues between our two countries in a package.

These issues include water supply; railway-related issues and Customs, Immigration and Quarantine (CIQ); Central Provident Fund (CPF) and the use of Malaysia's airspace.

As you are aware, since our above decision, several meetings, both at Ministerial and officials levels, had been held on the package of issues.

Regrettably, three rounds of talks at the senior officials level in 1999 and two Ministerial-level Meetings in 2002 did not meet with any success.

In addition Senior Minister Mr Lee Kuan Yew also had several sessions with me discussing the same package but no agreement could be reached.

I think we have now come to a point where it would be important for us to prioritise our discussions. The approach that both sides had adopted so far in dealing with the outstanding issues in a package, has not yielded any meaningful results.

In view of this, Malaysia has now decided to discon-

Context: After learning that Malaysia wants to stop resolving outstanding issues as one package, Singapore Prime Minister Goh Chok Tong replies to Dr Mahathir. He says that he had been prepared to make concessions, including building part of the bridge to replace the Causeway, as trade-offs.

But since Malaysia now wanted to deal with the water issue separately and discontinue the package approach, these trade-offs were no longer possible. In short, all bets were off and it was back to the status quo position. Letter nullifies Dr Mahathir's contention that the republic had agreed to bridge project.

Prime Minister
Singapore
14 October 2002

YAB Dato' Seri Dr Mahathir bin Mohamad
Prime Minister
Malaysia

Dear Mahathir,

I refer to your letter of 7 October 2002, conveyed via a Wisma Putra TPN dated 9 October, and sent to our High Commission in Kuala Lumpur on 10 October.

When we met on 8 October at Putrajaya, you said that the most important issue for Malaysia was water. If the water issue was resolved, all the other issues could be resolved. You also mentioned that Malaysia wanted to decouple the water issue from the other issues in the package.

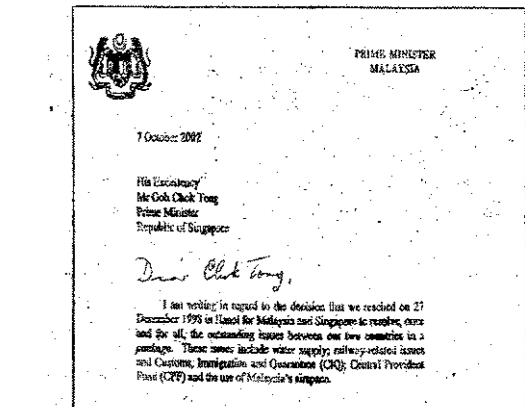
I replied that all the issues were tied up because the price Singapore could offer for present water would depend on the price for future water (i.e. water after 2061), and on the concessions it would have to make on the other issues like the POA. We did not come to any agreement on which approach to take.

Towards the end of our meeting, you said that we should try to resolve the water issue, and the sooner it was done, the better. I agreed, and said that we should get our officials to resolve it. Accordingly, upon my return, I instructed my officials to make as much progress as possible on the water issue at the 16-17 October meeting as part of the package, even though my Attorney-General had advised that Malaysia had lost its right to review the price of water under the current Water Agreements.

I therefore did not expect to receive, on 10 October,

With Best Regards,

Yours sincerely,
Goh Chok Tong



tinue the package approach and to give the highest priority to first resolving the long-delayed water issue, particularly the price review of raw water.

Once this issue is satisfactorily and amicably resolved, I am confident that Malaysia and Singapore would be able to move forward much faster in finding solutions to the other outstanding issues that stand in the way of our bilateral relations.

Public expectations in both our countries are very high that our two Governments would quickly find a solution to the water issue.

I am therefore hopeful that significant progress would be made on this issue at the forthcoming meeting of our senior officials from 16-17 October 2002 in Johor Baru and to be followed by the Ministerial Meeting at a later date.

Both our countries will then be in a more comfortable position to deal expeditiously with the other issues.

With best regards,

Sincerely,
Dr Mahathir bin Mohamad

your letter of 7 October, wherein you stated that "Malaysia has now decided to discontinue the package approach and to give the highest priority to first resolving the long-delayed water issue, particularly the price review of raw water". Had you, at our 8 October meeting, told me that you had already written and signed this letter on 7 October, I would have elaborated on the pros and cons of your new approach. We would then have jointly decided on the basis upon which our officials, would negotiate.

As you wrote in the opening sentence of your letter of 7 October, you and I had reached a decision "on 27 December 1998 in Hanoi for Malaysia and Singapore to resolve, once and for all, the outstanding issues between our two countries in a package".

In other words, we had agreed to trade off, in a package, the benefits to each other from the various items, namely, water, POA, airspace, CPF, and the bridge to replace the Causeway.

I had been prepared to make concessions in varying the POA with extra pieces of land, allowing an early withdrawal of CPF deposits, and building our part of the bridge to replace the Cause-

way at our expense, as trade-offs, so that you could give us airspace, and future water at a fair price. Regarding water, you had written in your letter of February 2001 that Johor believed that a fair price for raw water was 60 sen. (The revision of the price of raw water under the current Water Agreements was not in the package we decided in Hanoi in 1998, until you raised it with Senior Minister Lee in August 2000 in Kuala Lumpur.)

Since you now want to deal with the water issue separately and discontinue the package approach, these trade-offs are no longer possible. And as the package deal is off, I have instructed my officials to deal with water and the other issues individually and separately, on their stand-alone merits, and no longer as a package.

I hope our officials can make some progress at their coming meeting with your new approach.

With Best Regards,

Yours sincerely,
Goh Chok Tong