

Government to blame for 'sweetheart' deals

The Edge 05/09/05

Are we being robbed on tolled highways and roads? There is no way to tell unless we have the facts and figures.

We are, of course, not referring to the kind of robbery where our vehicles and valuables are stolen from us in the course of our journeys, although this happens sometimes, but the more commonplace and hugely more lucrative sums taken from us collectively as fees charged for road usage.

Toll road concessionaires must be one of the most unpopular people around — not without reason though, as the public has to bear unexplained increases in toll from time to time, without knowing the full reasons for them.

There is no denying that this is big business going by Works Minister Datuk Seri S Samy Vellu's assertion that it will cost some RM100 billion to reacquire all toll road and bridge concessions, although we doubt very much that the original cost of construction or the current value is that much.

Take PLUS Expressways, the leading toll-road operator in the country. Its market worth is RM16 billion on Bursa Malaysia but the

cost of constructing the roads could be about half to two-thirds of that.

Considering that PLUS operates some two-thirds of tolled roads (according to the document in connection with its flotation in 2002) in Malaysia and that its market worth is RM16 billion, Samy Vellu's figure of RM100 billion is, shall we say, way over the top — it should be no more than RM25 billion or a quarter of that RM100 billion.

And considering that the government, through wholly owned United Engineers (Malaysia), already owns some 50% of PLUS, it would need to spend less than RM20 billion — not RM100 billion to take over the toll roads.

How do we know that PLUS is not making excessive money by collecting tolls? It's not an easy answer and will need major calculations based on some assumptions — certainly not something that can be done on the back of an envelope.

But we can map the road to a better system of evaluating this by looking at how we have been doing things wrong with respect to toll road concessions in the past.

First, except for the North-South

Expressway (NSE), none of the major toll-road concessions we know of have been given out by open tender. The NSE, operated by PLUS, is really the forerunner of all road concessions.

While this was an open tender, the subsequent process of awarding it to the successful bidder, especially the terms and conditions, were never made public. We know for sure that if traffic projections for these roads were not up to expectations, the government would step in with soft loans and the like to help the concessionaire.

But strangely enough, the government did not make any provision to share in the revenue or reduce tolls in a situation where traffic flow exceeded projections, as indeed they did. Now why was that? And does it not reflect a dereliction of duty by those involved? And there is the question of whether it was done deliberately that way to profit the concessionaire.

Lest it be thought that we are picking on PLUS, let us say that other concessionaires had equally good or even better deals. To take just one more example, one concessionaire not only has some kind of traffic growth guarantee, it also has control



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question
time

of traffic lights which in effect regulates traffic through its toll booth!

The relevant traffic lights are at the junction of Jalan 17/1 and Jalan Damansara in Petaling Jaya. The toll booth, right next to the traffic lights, is operated by Sistem Penyuraian Trafik KL Barat Holdings or Sprint, which is 42%-owned by Gamuda. Sprint was given the concession to collect tolls in return for upgrading the old Jalan Damansara under the

West KL traffic dispersal scheme.

Samy Vellu complains about the high cost of taking back the tolled roads but he was the minister who was in charge of privatising these projects and agreeing to agreements that are so lopsided in favour of the concessionaires.

It beats us how such an arrangement is even conceivable, let alone up and running. In short, toll concessionaires have it pretty good in this country. The only ones in a better situation could be the independent power producers, but that's another story.

One key point we must add here — the government does not control costs of these concessionaires. So the concessionaires allotted hefty construction margins to themselves, proxies and cronies of as high as 20% when the norm was closer to 6%. Even if the concession collapsed, they would have walked away with plenty of profits, and some of them did.

Illustration: The NSE cost RM6.5 billion to be built. Twenty per cent of that throws up a gross profit of RM1.3 billion! That's a handy sum in hand in addition to a lucrative toll concession agreement.

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Disclose concession terms

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Unsurprisingly, despite all the asset acquisitions of the previous controlling shareholders of UEM, PLUS remain the group's most valuable assets.

Who do you blame for toll increases? The government, of course. We know without a doubt that each concession holder has an agreement with the government, which includes a schedule for raising tolls at certain intervals. If the government does not grant the increase, it will have to make up for the shortfall in toll collection. Directly or indirectly, the taxpayer pays.

If we want to know whether we are paying too much, then the government must disclose the terms of the agreement it has with the concessionaires. With the aid of some expert help, we can calculate if there is indeed highway robbery.

If we establish there is, then we

can take a number of steps to ameliorate the situation. The government can decide to acquire the concessionaires at fair valuation. Then it can decide if the toll rates are fair. It can also keep the toll rates down by subsidising the concessionaires directly.

If all else fails, and if the government had actually fumbled by giving excessively good terms to the concessionaires, it can recover some of this by imposing a special tax on concessionaires' profits. This is a drastic measure and won't be welcomed by the investment community but drastic situations may call for drastic measures.

All this could have been avoided with proper controls in place and transparency and accountability ahead of the fact. In future, proposed terms and conditions with concessionaires should be disclosed ahead of signing so

that they can be scrutinised and debated publicly.

There must be a clear demarcation between toll-road operations and construction companies. Toll-road operators must make open, competing bids for concessions and the construction of the infrastructure too must be awarded through open tenders. This will reduce costs.

The government must accept its share of the blame for high toll rates and it must do all it can to ensure that the same mistakes are not repeated in future.

Meantime, road users have no assurance that we are not being robbed on our highways and roads and if we are, whether it will stop sometime soon. What we desperately need is some light and policing on tolled highways and roads. **E**

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