

IF YOU STILL THINK 1MDB IS BAD NEWS

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By Super Admin

The ERL is a 30-year concession that will end in 2032. Under this 2002 concession agreement, RM5 from the airport tax for each KLIA international passenger has to be paid to ERL whether the passenger uses the ERL or not. Malaysia Airports Holdings Berhad (MAHB) has been paying this RM5 per person charge to ERL since April 2002.

THE CORRIDORS OF POWER

Raja Petra Kamarudin

Those in TNB say that the IPP concession given to YTL is a money-printing machine. TNB has to pay YTL for the electricity it generates whether TNB uses it or not. As long as YTL generates electricity then TNB must pay for it and we are talking about tens of billions over that concession period.

But then everyone knows this story and it is no secret. And everyone also knows that it is Tun Dr Mahathir Mohamad's gift to YTL. TNB was extremely upset about the matter and privately the minister-in-charge told his close associates that 'YTL is making money from nothing'. What the minister meant was YTL did not need to come out with a single sen in investments because it was funded entirely by 'others'.

What is not so hotly discussed is Express Rail Link Sdn Bhd (ERL), a company that is also controlled by YTL — another money-printing machine that owns and operates the rail service between the Kuala Lumpur International Airport and KL Sentral.

Construction of the ERL began in May 1997 and was completed five years later in 2002. The total paid-up capital of ERL is only RM69 million — comprising of just RM30 million ordinary shares and the remaining RM39 million as dividend-bearing preference shares.

ERL, which was a project started during the time of Dr Mahathir, is 50% owned by YTL, 40% owned by Tabung Haji, and the balance 10% by a company that has a paid up capital of only RM1 million and is owned by a former Proton CEO, suspected to be Dr Mahathir's proxy.

The total cost of the project was RM2.4 billion and RM2.33 billion of that RM2.4 billion came from bank borrowings — the bulk which came from a low-interest loan from the government-owned Bank Pembangunan.

The entire construction of ERL was awarded to a joint venture between Siemens and Syarikat Pembinaan Yeoh Tiong Lay Sdn Bhd (SPYTL). This means YTL also made money from the construction work.

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Since April 2008, the government started compensating MAHB for the amount it is paying ERL to prevent MAHB from losing money due to this ERL concession agreement. Since the opening of KLIA2 in May 2014, traffic on the ERL has increased 40%. However, for the financial year June 2014, ERL reported revenues of RM200 million but still recorded a RM30 million loss.

Starting next month, ERL will raise its fees by 57% to RM55 and the government cannot do much about it. Prime Minister Najib Tun Razak said that if the government does not allow this increase in fees then, according to the 2002 concession agreement, the government will have to pay ERL RM2.9 billion in compensation and will have to extend the concession period for another 30 years till 2062.

Anyway, you can read the rest of this story in the two news reports below. Maybe Dr Mahathir can explain why he gave YTL this money-printing machine after the many other money-printing machines he gave them, the IPP amongst them. And why is DAP keeping quiet about this matter? Is it because, as people are saying, DAP is receiving generous 'donations' from YTL?

Tee Keat: KLIA airport tax pays for ERL

(The Sun Daily, 24 February 2009) – Taxes collected from international flight passengers at the Kuala Lumpur International Airport (KLIA) are paying for the operation of the Express Rail Link (ERL), even if the passenger does not utilise the service.

Transport minister Datuk Seri Ong Tee Keat said based on the agreement; RM5 of the RM51 airport tax collected from each international passenger goes to ERL.

“This system where Malaysia Airport Holdings Berhad (MAHB) paid the allocated amount to ERL started in April 2002,” he told the Dewan Rakyat today.

“However starting April 2008 the government reimbursed MAHB for the amount it paid to ERL although the 30-year concession agreement is still in force,” said Ong, adding that this was in line with the marginal cost support scheme aimed at helping MAHB.

Denying that the cost borne by the government was a form of subsidy, he said: “We don’t call it subsidy because there are means and ways we can recover the cost.”

The justification for the absorption of the cost was that the operator is still facing challenges in terms of low collection which is insufficient to cover its capital outlay or cost of building and running the rail service between the Kuala Lumpur International Airport and KL Sentral.

“The Transport Ministry is responsible for the operational matters. Since the question was directed to my ministry, I took the liberty to answer the question,” he said, adding that the 30-year concession agreement was signed in 2002 before he came in as minister.

Ong said the inception of the Low Cost Carrier Terminal (LCCT) about two years ago further caused a deterioration of the cost recovery calculation, which was based on projected passenger volume.

“Whenever we come to the financial aspects of MAHB, bear in mind, it is a Government Linked Company (GLC) under the purview of the ministry of finance,” he said in reply to a question by Azmin Ali (PKR-Gombak) on why airport taxes of passengers who were not using the rail service was being utilised to subsidise the costs of operating the ERL.

The use of airport tax collected from passengers to cover the cost of running the ERL was exposed by the Sun in a front-page report last year.

Ong said the ERL project was fully funded by the concession company without any monetary support from the government and was thus dependent on the collection mentioned.

He said between 2004 and 2008 MAHB collected RM1.86 billion in taxes from all its airports in the county. “This revenue is used for maintenance and operation of the airports,” he added.

Najib agrees ERL deal lopsided, but says was inked in 1997

(Malay Mail Online, 12 December 2015) – Prime Minister Datuk Seri Najib Razak today said the “one-sided” concession agreement that allowed Express Rail Link (ERL) to raise KLIA Express and Transit fares by 57 per cent was signed during the Mahathir administration.

He said he was aware of public unhappiness over the increase and said that he had sought to block the fare hike sought, but pointed out that it was an issue he “inherited” when he became prime minister.

“It was signed in 1997, the agreement by the company controlled by YTL, an agreement that is one sided,” he said during his winding up speech at the end of the Umno general assembly at PWTC here.

He explained that Putrajaya was aware of the flaws in the previous concession, and renegotiated an extended contract with ERL to mitigate the fare increases.

“That’s why I want to explain that I inherited the problems but we will correct this because I know the people are angry,” he said.

ERL announced that it will increase the fare for the KLIA Express from the current RM35 to RM55 from January 1.

It will also increase rates for its KLIA Transit service by between 45 and 57 per cent.

The firm stressed that the new rate is still less than what the firm was entitled to charge based on its concession agreement, which is said allowed it to set the fare at RM64 per journey.

Today, Najib said that his administration had to renegotiate the agreement, leading to a compensation of RM2.9 billion and extending the concession for another 30 years.

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