

Land Issues



The Government must ensure that RRIM's land is not squandered in the name of development.

By Bhupinder Singh

SPECULATION is rife that a parcel of the Rubber Research Institute Malaysia's (RRIM) land in Sungai Buloh, Selangor, is on the verge of being alienated for mixed development to a small private company.

If true, the decision may partly reverse former Primary Industries Minister's Datuk Lim Keng Yeik's proposal to develop the land into a rubber technology park known as 'Rubber City' that would house downstream activities supporting RRIM's upstream research work over the past 80 years for the industry.

Many developers have courted the much prized 3,700-acre land. Names that have been associated with attempts to prize at least a portion of it was MK Land Bhd, TA Properties, Lebar Daun Bhd and Talam Corporation Bhd. According to sources, private companies have already been

making overtures to the Government for this piece of land as far back as 1997.

The plan to convert the land is not new. The Malaysian Rubber Board (MRB) in the past had proposed to build housing facilities for its staff and dispose off part of its land to raise finance and become financially self sufficient to undertake its research activities.

MRB's research activities are financed by the rubber industry. The money is collected through a research cess of 3.85 sen for every kilogram of rubber exported and total money collected annually is in the millions.

Falling exports in the 1990s have seen the research fund shrink and supplemented by government subsidies. The plan to convert some of the land into commercial purposes is to supplement its revenue. MRB has set up LGM Properties Corporation (LGM) in January 2002 to

handle all its land intended for conversion to commercial purposes.

The decision on how the 3,700 acres of land is used or to whom it will be awarded to rests ultimately with the highest echelons of government. There is undoubtedly some very strong lobbying going on for RRIM's land in Sungai Buloh. Perhaps the best way would be to call for tenders so there is transparency.

In fact, many in the property development industry were surprised to find out that the Government, in the Budget 2004 tabled last September, has proposed to undertake the development of 12,000 affordable homes through the Syarikat Perumahan Negara Bhd (SPNB), a Ministry of Finance Incorporated company (MoF), on 1,000 acres of the land. The project has been called The Klang Valley Northern Development Corridor.

The Ministry of Primary Industries then submitted a proposal to the Economic Planning Unit that will house the proposed 'Rubber City', a 600-acre lake to facilitate the flood mitigation programme in the Klang Valley and SPNB's 12,000 homes plan. This proposal has been called the Sungai Buloh Illustrative Masterplan.

MRB officials contacted do not know of an award of the parcel to any private developer at the time of writing, but do not doubt that the development plan may see privatisation of parcels of land to finance the project. A check with the land office also drew a blank.

'It is not clear what's happening with the land. Will the Government acquire the 1,000 acres from RRIM for the SPNB project and/or offer land in exchange elsewhere that will allow RRIM to continue its research activities? The MRB has seen the financial potential to develop the property and acquiring land elsewhere for its rubber related activities will only cost a small portion of what they can make off this land. Private developers could also offer land in exchange for a parcel as it has attractive development potential,' says a valuer.

RRIM is part of the MRB which is a government agency. The 3,700 acres that make up the parcel, houses the RRIM research station and MRB Technology Research Centre.

The land, according to an LGM official, is divided into many parcels and the status

consists of freehold and parts that are meant for specific purposes such as rubber cultivation and research.

The MRB, in the past, was under the Ministry of Primary Industries, but in the enlarged cabinet, it's now placed under the portfolio of the Ministry of Plantations Industries and Commodities led by Datuk Peter Chin Fah Kui.

The MRB is the amalgamated entity of the Malaysian Rubber Exchange and Licensing Board, RRIM and the Malaysian Rubber Research and Development Board.

The macro issue is much wider than the prized land. With the MRB now the sole agency responsible for the development of the country's rubber industry, one has to wonder how the local rubber industry will fare if RRIM's land and research facilities are levelled to make way for more mixed development projects in the Klang Valley.

Furthermore, rubber products manufacturing has been identified as a priority industry in the nation's industrialisation programme. MRB expects the upstream research activity to

be transferred to another piece of land that encourages the cultivation of rubber. The question arises as to whether the MRB should be involved in the property business as well?

The key to how land could be awarded lies in the title of the land. Since it is agricultural land, it has to be degazetted and then alienated for development purposes which would require the approval of the Selangor state government.

Property market watchers believe the land would be broken up into parcels and offered to property developers as its market worth is now estimated at above RM1.3 billion (without converting) – a figure way too high for any one developer to pay to acquire the whole parcel.

'The land can easily go for RM5 to RM8 per square foot unconverted and RM12 to RM15 if converted. Its prime land, but needs to be divided according to a master plan. The parcels should not be anything less than 500-acre plots,' says Sarkunan Subramaniam, director at PPC International Sdn Bhd, a property consultancy.

Since it would be a mega project of sorts, the parcels will likely be divided and developers may bid in consortiums for the various parcels.

The SPNB proposal has its merits. The affordable homes concept would make sure that not all of the land, if developed according to the Budget proposal, is developed into high value properties which would effectively price out the poor. Too much high density development would have an adverse impact on the infrastructure.

'Its important to subdivide according to road pattern and alienate the land beforehand for road and other infrastructure so that the Government would not have to pay compensation later to buy the land for such purposes,' says Sarkunan.

The master plan for the 'Rubber City' has not been drawn up, according to MRB officials – so the chances of the project being hijacked by other 'interested' parties is always possible. Either way, at the end of the day, the Government must ensure that national interest must be placed above that of institutions or companies. **mb**

MAA Holdings ...from page 50

but surely making some headway. At less than 600 agents, its agency size is far smaller than the insurance outfit.

Here, Ya'akob recently roped in a long-time friend and industry leader, Wong Boon Choy, to take charge of the unit trust wing.

'With those two important outfits in good hands, Tunku now wants to expand the group's reach further. The credit card business, I suppose, fits into his bigger picture,' says an insurance industry executive who has worked with the MAA group chief.

Here, Ya'akob and company are surely banking on their extended reach. On that score, they probably fare well. When rating one chunk of its debt earlier this year, Malaysian Rating Corporation Bhd noted that point as well. In its February report, it said that MAA's strength includes the good market position of the insurance funds and its extensive distribution channels. The rating agency also notes the presence of MAA's 'relatively untapped potential of cross-selling opportunities between the funds'.

If it does get the green light from Bank Negara to market credit cards, MAA

CREDIT CARD OPERATIONS: The Malaysian Map (RM' billion)

Period	*Cards In Circulation	Transactions	Purchases	Cash Advances	Credit Line Extended	Current Balances
(Units 'million)						
1999	1.86	-	11.76	2.11	17.66	4.76
2000	2.29	-	16.97	2.37	22.43	6.51
2001	2.84	-	20.96	2.40	23.93	7.68
2002	3.63	126.85	26.43	2.68	29.92	9.37
2003	4.22	146.56	30.64	2.67	35.83	10.51
2004**	4.55	63.55	14.05	1.15	38.49	10.85

Principal cards only As at end-May Source: Bank Negara Malaysia

Holdings must brace itself for a fiercely competitive environment. Just look at the way salespeople shove cards into one's hands at shopping malls.

In Malaysia, the biggest credit card providers are the foreign banks. MAA Holdings will be up against the likes of Citibank Bhd, currently the industry leader with more than one million cards to its

name. Equally aggressive are Standard Chartered Bank Bhd and HSBC Malaysia Bank Bhd. Also not forgetting is Malayan Banking Bhd, the country's largest lender.

Crossing the regulatory hurdle will only be the beginning of MAA Holdings' challenges when it comes to credit cards. One thing is certain: its marketing mantle will be put to a stringent test. **mb**