chapter 5
Greater
Kuala Lumpur/Klang Valley

Chapter 5: Developing Greater Kuala Lumpur/Klang Valley as an Engine of Economic Growth

"YAB Prime Minister has identified Greater KL/KV as one of the twelve NKEAs to act as the driver of economic growth and propel the country's economy further.

For a period of eight weeks, Greater KL/KV Lab members worked very hard in analysing, debating, syndicating and meeting with all the relevant stakeholders before recommending the findings of the Lab and finally documenting the findings.

Now that the plans are in place, we realise that we have to work even harder to turn these great ideas into practical realities to achieve the desired outcome. It is my aspiration not only to see Greater KL/KV increase its contribution to the country's GNI but also to be a safe and comfortable place to live for the rakyat and ultimately fulfil all its potential to stand tall amongst the great cities of the world.

As Minister responsible for Greater KL/KV NKEA, I am committed to delivering this and hope that all Malaysians will support me and my team in this endeavour."

YB Senator Dato' Raja Nong Chik bin Raja Zainal Abidin

All great countries have iconic cities that are also pillars of their economic growth. The United Kingdom has London, the United States has New York, China has Beijing and Shanghai, and Japan has Tokyo. In Malaysia, Kuala Lumpur has long been the pillar and the face of our country, driving the national economy and boasting landmarks such as the Twin Towers. That must continue and intensify. Malaysia will not achieve its gross national income GNI growth aspirations without a significant, increased contribution from its primary city.

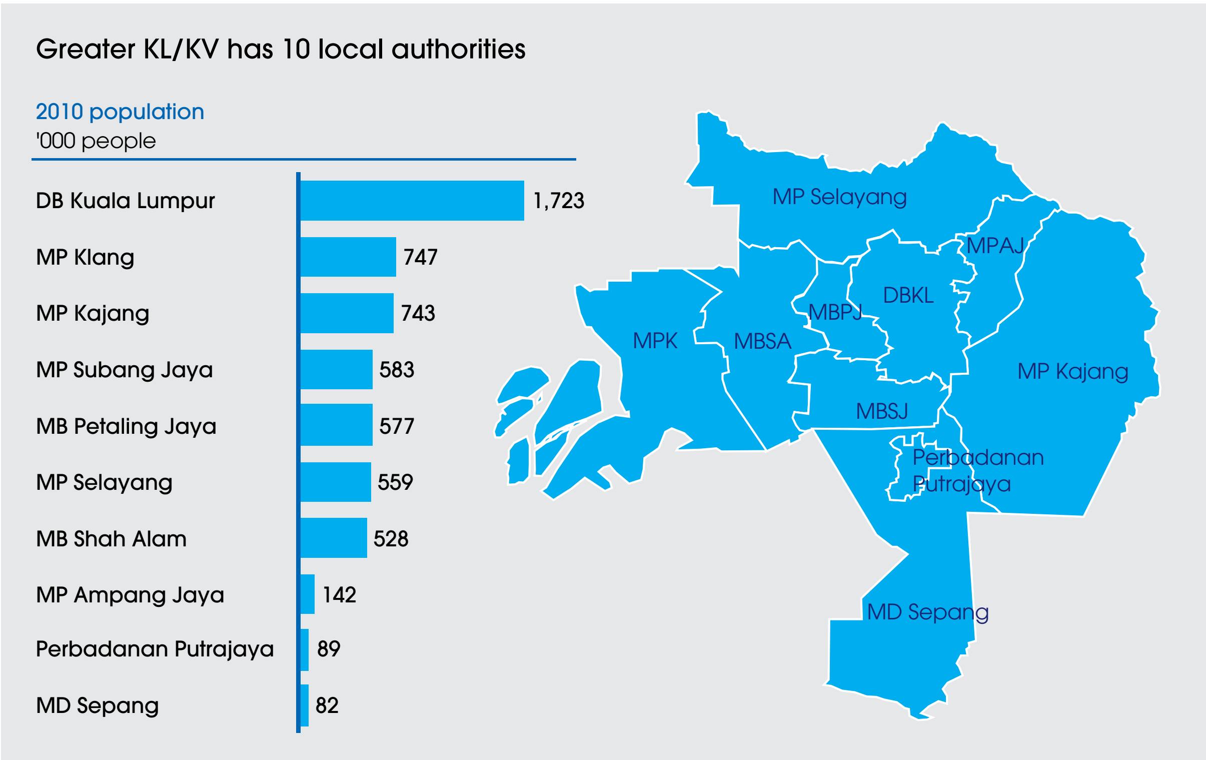
At the same time, urbanisation brings challenges. In all of history's episodes of rapid economic growth, cities have come under strain. From the squalor of industrial revolution London, to the slums and congestion of 1980s Mexico City, or the pollution of modern day Beijing, citizens' lives have often been impacted. The aspiration for Greater Kuala Lumpur/Klang Valley (henceforth Greater KL/KV) is to drive rapid growth in parallel with upgrading the city's liveability. Rarely, if ever, has this been achieved, but it is our priority for Malaysia's next decade.

DEFINITION OF THE Greater KL/KV NKEA

For this National Key Economic Area (NKEA), Greater KL/KV extends beyond the boundaries of Kuala Lumpur. It is defined as the area covered by 10 municipalities, each governed by local authorities: DB Kuala Lumpur (DBKL), Perbadanan Putrajaya, MB Shah Alam (MBSA), MB Petaling Jaya (MBPJ), MP Klang (MPK), MP Kajang, MP Subang Jaya (MPSJ), MP Selayang, MP Ampang Jaya (MPAJ) and MD Sepang, as illustrated in *Exhibit 5-1*.

This Greater KL/KV metropolitan area is smaller than that of the Kuala Lumpur National Conurbation as defined under the latest review of the National Physical Plan. It focuses on the highest density economic agglomerations within the Conurbation, including important sites such as the Kuala Lumpur International Airport. In 2010, the population of Greater KL/KV is approximately 6 million, and it contributes about RM263 billion to the nation's GNI. This translates to 20 percent of the national population contributing 30 percent of the nation's GNI, proving that Greater KL/KV is indeed the engine of the nation's economic growth and hence designated as a NKEA.

Exhibit 5-1



SOURCE: Department of Statistics

MARKET ASSESSMENT

While there is great potential for Greater KL/KV to act as an even bigger engine of Malaysia's economic growth, we need to overcome several key challenges in order to unlock it.

Rationale for the Greater KL/KV NKEA

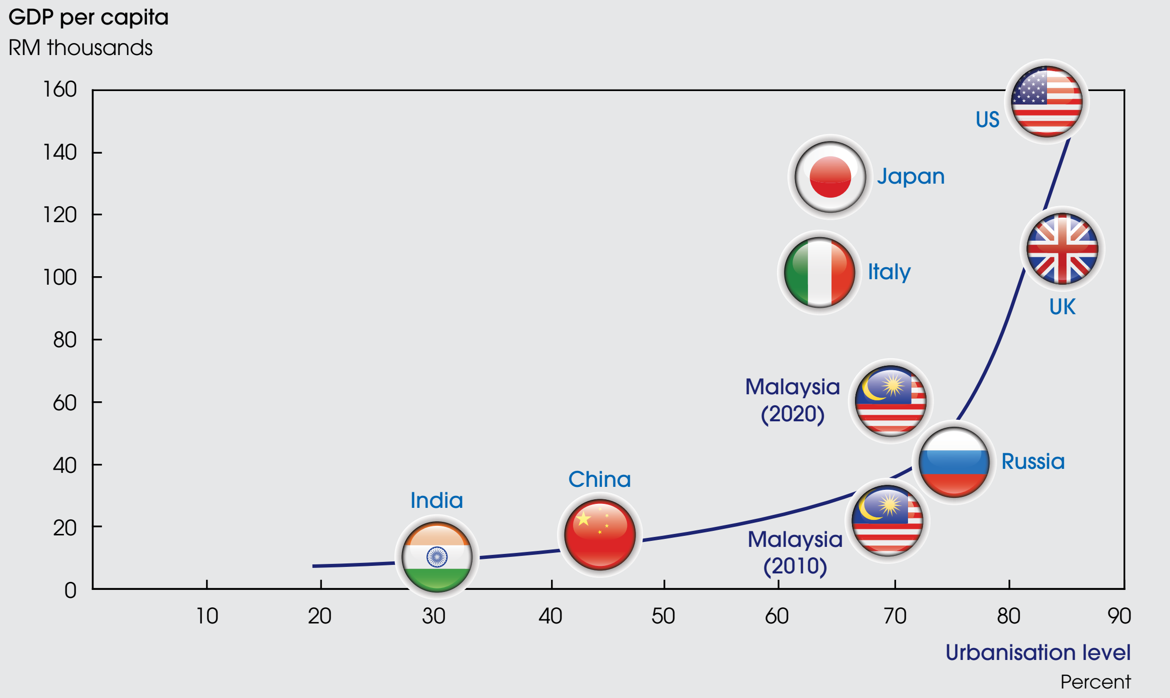
Greater KL/KV is a unique NKEA, as it has a geographical focus rather than the industry focus of the other 11 NKEAs. This is in recognition of the unique and critical role that cities play in shaping and driving any nation's economy. A 2009 report by the World Bank[1] shows that as economies grow from low to high income, economic activities become increasingly concentrated spatially. This has been true in Malaysia, and will continue to be true as Malaysia advances toward high-income status.

Greater KL/KV was selected as a NKEA to reflect four important dynamics:

- **Urbanisation is a driver of GNI growth:**
  Urbanisation is one of the most important drivers of economic growth in any country. Gaining a critical mass of concentrated population powers economic specialisation and the resulting step-changes in productivity and economic output. In fact, urbanisation has historically been an enormous driver of economic growth. In China, it has been an essential component of the vast economic growth of the past decades. A cross-country comparison shows that urbanisation levels correlate strongly to average income levels (*Exhibit 5-2*). More importantly, as countries like Malaysia transition into a services-based economy, large and urbanised cities become even more critical, with their concentrations of infrastructure, talent and economic inter-relationships that support the economic transformation.

Exhibit 5-2

There is high correlation between urbanisation and growth



SOURCE: *Global Insight, 2010*

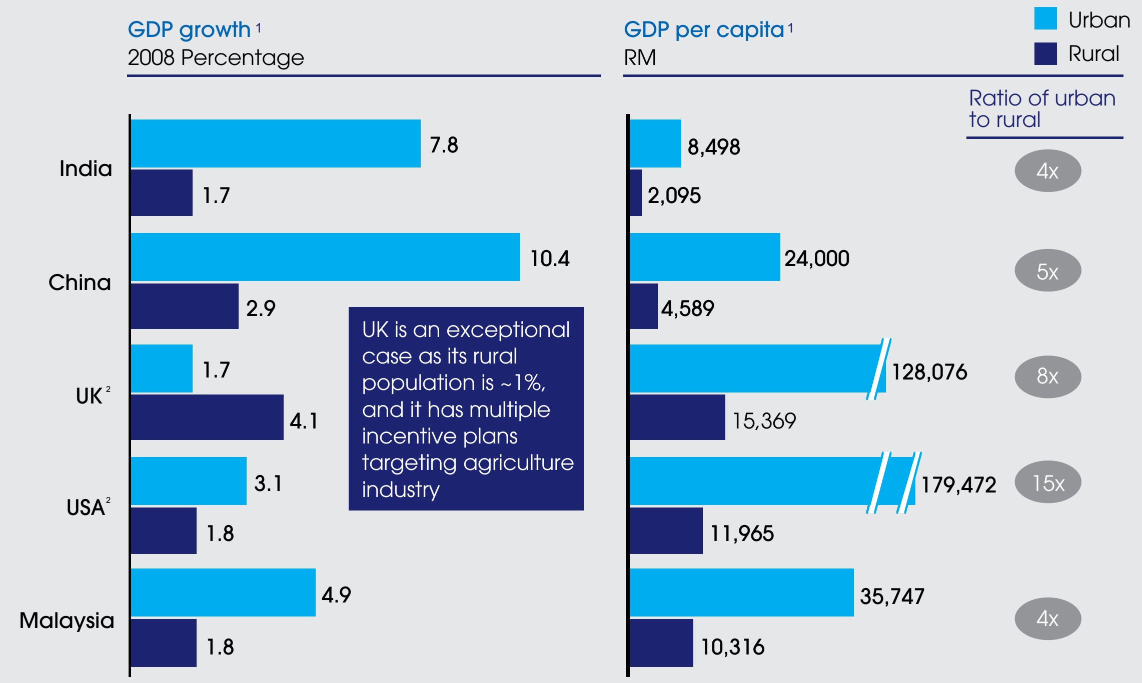
1 *World Developmwnt Report 2009: Reshaping Economic Geography and quoted in the Tenth Malaysia Plan*

Malaysia is only part way along the urbanisation journey. Today's urbanisation level of 67 percent and GNI per capita of RM22,000 falls short of more developed countries like the USA (83 percent and RM153,000 respectively), the UK (87 percent and RM108,000 respectively) and Japan (67 percent and RM133,000 respectively). As Malaysia aims to reach high-income status by 2020, we will need to accelerate the pace and intensity of urbanisation.

Urbanisation is clearly a powerful force. The movement from rural to urban employment boosts labour productivity and household incomes and often improves household incomes by a factor of 10 or more (*Exhibit 5-3*);

Exhibit 5-3

GDP growth and GDP per capita is higher in urban areas



1 GDP growth of agriculture sector is used as proxy of rural area GDP growth
2 Average growth rate from 2005 to 2009

SOURCE: CIA World Fact book, IMD, Bureau of Economic Analysis

- **The primary city matters most**
  Greater KL/KV dominates Malaysia's urban economy – and by a large margin. Greater KL/KV is the largest contributor at a GNI per capita level, both today and in 2020, by more than 7 times over the next largest urban centre of Johor Bahru, and by more than 2.5 times over the largest industry sector - oil, gas and energy. Over the next decade, Greater KL/KV is targetted to grow in population by 5 percent per year and achieve GNI growth of 10 percent a year. Changing this trajectory by even one 1 percentage point will have significant impact on the nation's overall economy;

- **Urban productivity does matter**
  Simple rural-urban migration is not sufficient. Urban productivity matters, and globally there is significant variation from city to city. City size, shape and density patterns drive energy and other resource usage, as well as liveability outcomes. Many of the outcomes result from the interplay of density patterns and transport infrastructure, which determines how efficiently and comfortably the city operates day-to-day. In addition, basic services such as sewerage, solid waste management, electricity and water must be sufficient to meet demand levels caused by population size. The challenge for Greater KL/KV, therefore, is to harness the power of urbanisation while shaping it to maximise urban productivity to simultaneously pursue efficiency and liveability; and

- **A great city needs to be a liveable city**
  People vote with their feet. In today's global and mobile economy, professionals can choose where to live and work. The war for talent is not between nations, but between cities. Cities that are vibrant and liveable are magnets for highly-skilled people. Typically, wealthy cities perform well on liveability measures by providing for basic needs such as education, healthcare and safety while also catering to the cultural and other demands of an increasingly diverse and cosmopolitan society. Therefore, while urbanising intensively, Greater KL/KV must also focus on improving liveability.

Challenges for Greater KL/KV

Greater KL/KV is already on the global map as one of the iconic cities of Southeast Asia. It boasts world-renowned landmarks such as the Twin Towers and events such as the Formula One race as well as a unique blend of diverse cultures and heritage. Greater KL/KV is also blessed with an abundance of natural assets such as riverfronts, green spaces and forest reserves. Periodic investments in infrastructure have provided a superior road network and high quality basic services such as water and electricity.

Greater KL/KV clearly has great potential. However, questions remain.: First, how do we become the regional location of choice for big businesses? Second, how do we reverse the brain drain and attract top talent back into the city? Third, how do we accelerate the pace of economic growth to escape the middle-income trap? Unless several challenges are addressed with urgency, Greater KL/KV runs the risk of being marginalised by other growing cities across the region. Among these challenges are:

- **Fierce competition from neighbouring cities**
  Greater KL/KV is not the first-choice location for multinational companies and professionals looking for a base in Asia or even Southeast Asia. As a nation, Malaysia lags regional competitors in attracting foreign companies. There are approximately 1,600 foreign companies based in Malaysia compared to 4,000 in Beijing, 6,000 in Singapore and 17,000 in Shanghai. Even in sectors where Malaysia may appear well-placed to compete, such as Islamic finance, we are not as dominant, in terms of presence of key global players, as we could be;

- **Liveability lags many other Asian cities**
  Today Greater KL/KV ranks 79th out of 130 cities on the EIU's global liveability index, and 10th out of 31 Asian cities ranked. There is a need for improvement across multiple liveability dimensions including security, healthcare, education, culture and environment;

- **Public transport remains inadequate**
  Urban public transport in Greater KL/KV is congested, fragmented and often unreliable. Our roads face increasing congestion by the day. Public transport modal share stands at just 12 percent (as of 2009), having declined from 34 percent in 1985 and 20 percent in 1997.[2] Other major metropolitan areas, such as Singapore, Hong Kong and Tokyo, typically have public transport modal shares over 50 percent; and

- **Natural assets remain untapped**
  The Klang and Gombak rivers are polluted, and deliver little of their potential, either commercially or as destinations that can add to the city's vitality. In addition, Greater KL/KV is at risk of losing its natural abundance of parks and green spaces to unchecked urban growth.

2 Based on 1999 Study on Integrated Urban Transport Strategies for Environmental Improvement conducted by the Japan International Co-operation Agency, or the JICA Study

TARGETS AND ASPIRATIONS

Nine entry point projects (EPPs) will be pivotal towards achieving our aspiration for Greater KL/KV – 20-20 by 2020.

20-20 by 2020

Economic dynamism and liveability should be pursued in parallel. The Greater KL/KV aspiration can be summarised as 20-20 by 2020 – that is, to be the only city that simultaneously achieves a top-20 ranking in city economic growth (as defined by city gross domestic product growth rates) while being among the global top-20 most liveable cities by 2020. This is a daunting challenge, as no other city has consistently managed to achieve this. Historically, most cities have tended to grow first and repair liveability issues later, such as in the case of London, New York and more recently Shanghai. On the other hand, some cities are highly liveable but remain relatively small, such as Copenhagen, Vancouver and Zurich. Greater KL/KV will pursue both growth and liveability in parallel.

The economic aspiration for Greater KL/KV is to grow its GNI contribution by 2.5 times, from RM258 billion to approximately RM650 billion per year. This should move GNI share from approximately 30 percent of the nation's GNI to approximately 40 percent, representing a dynamic growth rate of 11 percent per year. Related to this, additional aspirations include:

- Increasing per capita GNI by close to two times from RM40,000 to RM70,000 per year;
- Achieving a top-20 ranking in the EIU Liveability Index survey. More tangibly, this means outperforming cities such as Seoul (ranked 58th in 2010), Singapore (53rd in 2010), and Hong Kong (31st in 2010); and
- Growing the population from 6 to 10 million, with a focus on growing the foreign talent base from 9 percent to 20 percent of the population, especially for high-value talent; and
- Creating 553,000 jobs over and above the employment that will be created specifically by the other NKEAs.

Nine EPPS to Deliver RM193.0 Billion of GNI Impact

Nine EPPs along four dimensions have been identified to deliver on the Greater KL/KV aspirations. Combined, these EPPs have the potential to add an incremental RM193.0 billion in GNI contribution. Besides the nine EPPs, a further enabler EPP (expanding and improving sewerage services) will be needed to support population growth. This does not have a GNI impact, but will require public funding of RM4.0 billion.

Dimension 1: Greater KL/KV as a magnet

Greater KL/KV will become a location of choice for companies and professionals. Dynamic international and regional MNCs that are emerging leaders within targetted sub-sectors will be encouraged to locate their global or regional headquarters in Greater KL/KV. This will not only catalyse greater economic activity, but will also generate demand for additional high-value employment. This will therefore be supported by internal and external immigration programmes to grow Greater KL/KV's population to 10 million by 2020, with a focus on higher-value jobs.

- **EPP 1**: Attracting 100 of the world's most dynamic firms within priority sectors; and

- **EPP 2**: Attracting the right mix of internal and external talent.

Dimension 2: Greater KL/KV connect

Greater KL/KV will become well-connected both externally and internally. Regional connectivity will be accelerated by deploying a high speed rail (HSR) system to connect Greater KL/KV and Singapore. Examples from around the world attest to the value of such a high-speed connection, and the two metropolitan areas will benefit significantly from enhanced economic activity via the vital link. At the same time, intra-city connectivity will be improved with a mass rapid transit (MRT) system. As the current urban transport bottlenecks would be compounded by the planned population growth for Greater KL/KV, an integrated MRT is critical to ensure connectivity.

- **EPP 3**: Connecting to Singapore via a high speed rail system; and

- **EPP 4**: Building an integrated urban mass rapid transit system.

Dimension 3: Greater KL/KV new places

Greater KL/KV will become a vibrant and attractive place to live in. High potential destinations within Greater KL/KV will be identified as attractions and upgraded to enhance liveability for residents and draw tourists and migrants looking to visit or relocate to Greater KL/KV. First, downtown KL City is blessed with two rivers and valuable waterfronts that will be exploited as retail and commercial centres. While much work is required to rejuvenate the rivers and redevelop the surrounding areas, the rivers have tremendous potential to enhance the liveability and attractiveness of Greater KL/KV. Second, KL City lags other leading cities in terms of its proportion of green spaces (only 12 square metres of green area per capita versus the WHO standard of 16 square metres per capita). Increasing the amount of green space is essential to improve the city's overall quality of life. Third, Greater KL/KV has many natural assets that can be leveraged as points of attraction (e.g. the old Pudu Jail site with its iconic gate, the old KTM railway station, Chinatown). Strategic redevelopment with sharply defined boundaries has the potential to create more iconic places within Greater KL/KV, adding to its liveability and attractiveness.

- **EPP 5**: Revitalising the Klang River into a heritage and commercial centre for Greater KL/KV;

- **EPP 6**: Greening Greater KL/KV to ensure every resident enjoys sufficient green space; and

- **EPP 7**: Creating iconic places and attractions.

Dimension 4: Greater KL/KV enhanced services

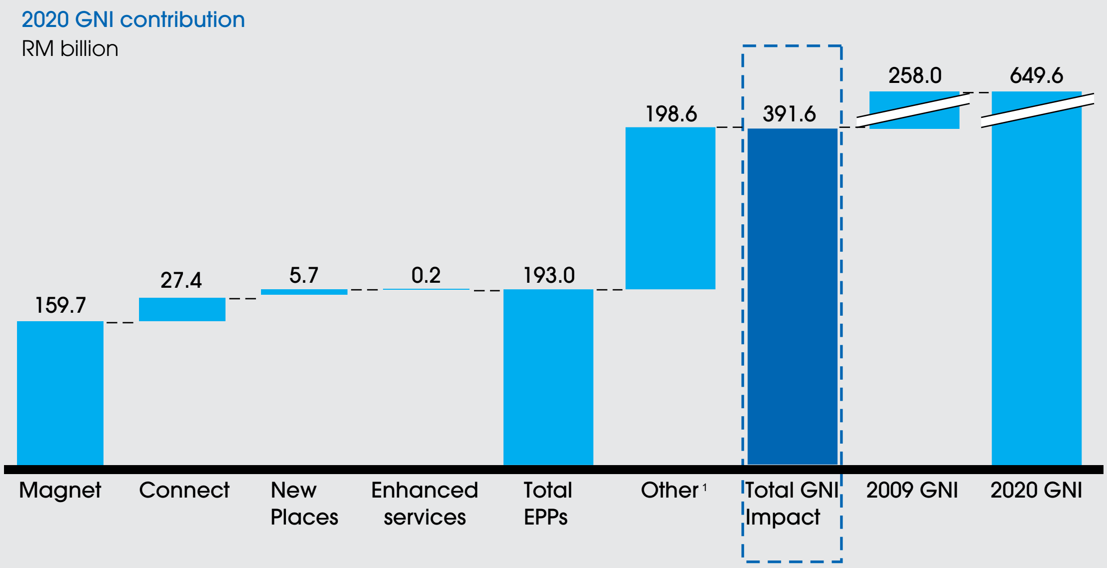
Greater KL/KV will function smoothly and efficiently. Gaps in basic services, such as pedestrian networks, solid waste management, sewerage and city cleanliness must be addressed to ensure a well-functioning and liveable city. Among the many services required for a truly efficient and liveable city, two are prioritised as EPPs. First, pedestrian walkways within KL city are woefully inadequate and not integrated. Fixing this will enhance not only the liveability of the city, but also boost tourism and commercial potential. As Greater KL/KV's population will increase by more than 65 percent over the next 10 years, it is critical to provide adequate solid waste management collection and processing.

- **EPP 8**: Creating a comprehensive pedestrian network; and
- **EPP 9**: Developing an efficient solid waste management ecosystem.

In addition to the EPPs, baseline growth, business opportunities and the multiplier effect will deliver close to RM200 billion incremental GNI. The various elements are summarised in *Exhibit 5-4*.

Exhibit 5-4

Nine EPPs, three business opportunities, baseline growth and multiplier effect will deliver RM649.6 billion GNI impact by 2020



[1] Other NKEA GNI impact (including baseline growth, business opportunities and multiplier impacts) that directly contributes to Greater KL/KV's GNI

Greater KL/KV AS A MAGNET

Greater KL/KV will need to be a magnet for dynamic firms and global talent. Initiatives that proactively seek to attract such firms and talent will be launched to achieve this aspiration.

EPP 1: Attracting 100 of the World's Most Dynamic Firms within Priority Sectors

Rationale

Size matters. In Greater KL/KV today, the top 4 percent of companies generate 79 percent of total revenue and the top 10 percent of companies contribute to 63 percent of total employment.[3] Stimulating additional economic activity hinges upon the ability of the city to attract large foreign firms or multinational companies (MNCs). Given the aspiration of almost doubling GNI per capita, the form of foreign direct investment being attracted must no longer be investments that leverage low-wage workers, but rather those that create opportunities for higher value-added employment. Towards this end, we seek to attract the world's leading and most dynamic firms to locate their headquarters in the city, especially MNCs relevant to the priority sectors for Greater KL/KV. Attracting 100 such firms will contribute in the order of RM40 billion in annual GNI to Greater KL/KV.

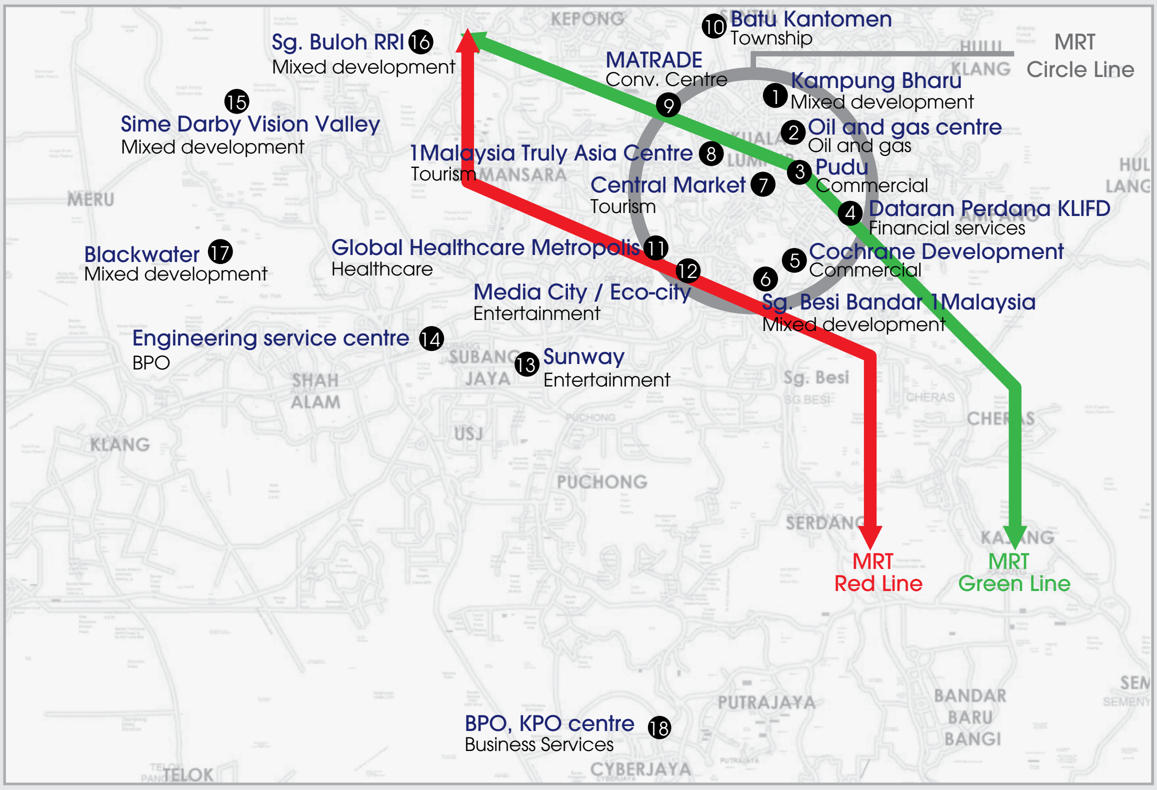
Greater KL/KV's value proposition is clear: a strong talent base with high English proficiency, a strategic location at the heart of fast-growing Asia, superior infrastructure, a lower cost of living compared to competitor cities such as Singapore and Hong Kong, and a liveable environment. However, in order to increase its competitive advantage, Malaysia will need to see significant improvements, especially in the ease of doing business, e.g. as measured by number of days required to start a business, corporate tax rates and investor protection indexes.

Spatially, the firms and economic activities will be focussed in economic clusters across the landscape of Greater KL/KV as shown in *Exhibit 5-5*. These clusters will be serviced with world-class amenities and connectivity. These economic clusters form part of the enhanced proposition to target companies.

3 Based on a Hoover's survey of 2,794 companies, excluding very large companies such as PETRONAS.

Exhibit 5-5

Economic clusters across Greater KL/KV will be developed in priority sectors



Actions

The priority economic sectors for Greater KL/KV were identified based on current and potential contribution to GNI and include financial services, business services, education, tourism and retail. In 2009, these five sectors combined contributed 41 percent to Greater KL/KV's total GNI. Within each of these sub-sectors, companies have been identified globally where a disproportionate number of attractive target MNCs (based on revenue) are located. Examples include Islamic financial institutions in the Middle East such as Bank Melli in Iran and the Dubai Islamic Bank in the United Arab Emirates. These companies would benefit from Malaysia being an Islamic country as well as its strategic location within the fast-growing region of Asia.

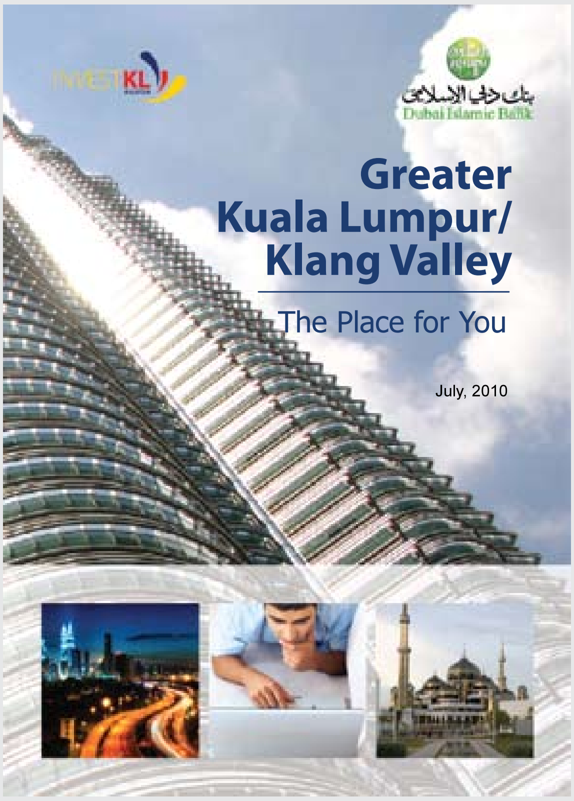
Efforts to attract such companies include establishing attractive incentives for MNCs, proactively marketing to priority MNCs, strengthening our local talent base and reducing the cost of doing business.

Establish an attractive incentive package for MNC HQs. We will improve upon existing criteria for operational headquarters, which currently enjoy tax exemptions of 5 to 10 years. Potential additions to the criteria for Operational Headquarters status qualification include: total parent company assets of greater than RM300 million, minimum paid-up capital of RM5 million from parent company, maintains a sizeable network of companies outside Malaysia, and maintains a pool of 50 percent of skilled staff throughout the incentive period with a clear definition for skilled employment based on certification.

Proactively market Greater KL/KV to priority MNCs. A dedicated marketing and implementation team will create and maintain a database of high priority companies to target with tailor-made pitch-books (*Exhibit 5-6*) that provide a one-stop guide to relocating to Greater KL/KV.

Exhibit 5-6

Priority MNC targets will be actively engaged with tailored pitch books



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Delivering the region's most competitive fiscal package
- Enjoy an attractive range of institutional and personal tax incentives, tailored to provide the region's most competitive fiscal package

Improving your competitive advantage
- Be part of the world's fastest growing Islamic financial hub
- Experience best-in-class infrastructure
- Leverage world-class talent to grow

Ensuring seamless transitions
- Optimise your resources with a one-stop-shop government agency to ensure a seamless transition from your current location

Immersing your employees in a vibrant and dynamic city
- Live, learn, work and play in a vibrant and dynamic city offering an excellent quality of life
- Ensure your employees receive affordable housing, first class education and healthcare services

Leveraging our team for your needs
- Leverage our dedicated and responsive team to meet your company's needs
- Enjoy fast access to the right people to fast-track and maximise your company's growth potential

Strengthen the local talent base with an emphasis on up-skilling and re-skilling. Example efforts include initiating the Industrial Skills Enhancement Programme and expanding the Graduate Employability Management Scheme.

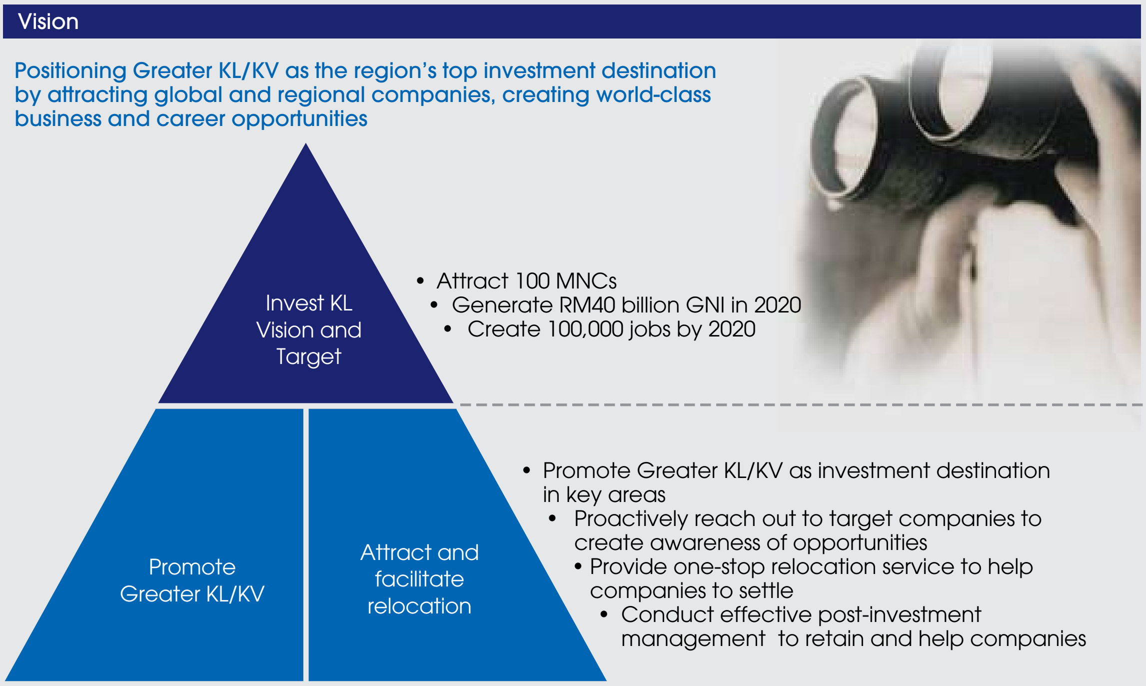
Reduce the cost of doing business. We will leverage the initiatives driven by PEMUDAH to date as well as those introduced under the Tenth Malaysia Plan. Examples include introducing a single-window licensing process through e-Government portals for both local and state governments, integrating services across agencies and reducing necessary procedures to three procedures within three days, which is now possible with the introduction of the standard Malaysia company identification number (MyCoID).

An entity that focuses on attracting these companies into Greater KL/KV will be formed. This entity will be known as Invest KL, with a mission to ensure Greater KL/KV becomes the region's top investment destination by attracting companies that have regional and global focus and create world-class business and career opportunities for Greater KL/KV residents. The proposed scope and mandate for this organisation is summarised in *Exhibit 5-7*.

This entity will report into the Ministry of the Federal Territories; however it will be physically co-located with Malaysian Investment Development Authority (MIDA) to benefit from synergies in infrastructure and capabilities that currently reside within MIDA. As a first step towards implementation, the specific and detailed roles and responsibilities of Invest KL, interaction model with MIDA and other related agencies (such as Multimedia Development Corporation), staffing and funding needs, and initial targets will need to be defined by the end of 2010 by the Ministry of the Federal Territories in consultation with MIDA.

Exhibit 5-7

Invest KL will be established with the objective of attracting 100 MNCs to locate in Greater KL/KV



Funding

The funding requirements total RM82.2 billion.

Impact

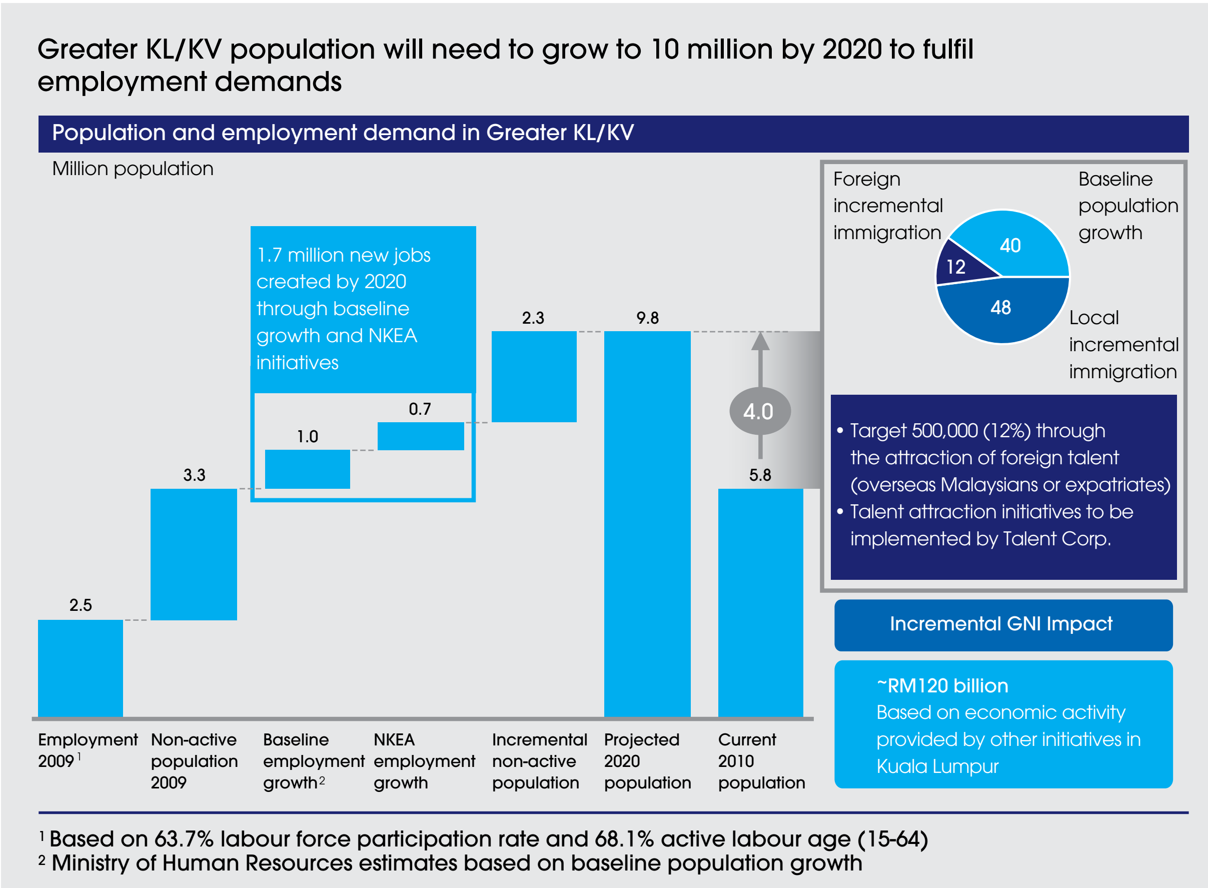
This EPP will generate RM41.4 billion of additional GNI per year and create approximately 234,000 jobs by 2020.

EPP 2: Attracting the Right Mix of Internal and External Talent

Rationale

Growth in Greater KL/KV economic activities will increase total employment from 2.5 million in 2010 to 4.2 million by 2020. This is driven by a combination of baseline employment growth and employment generated by the 12 NKEA projects, which have a high share of employment in Greater KL/KV. Total employment specifically driven by Greater KL/KV EPPs and business opportunities represents around 553,000 new jobs. Overall the incremental employment created is expected to contribute an estimated RM118.2 billion[4] in annual GNI to the city by 2020 *(Exhibit 5-8)*.

Exhibit 5-8



Source: Ministry of Human Resources, Department of Statistics

To fulfil employment demand, Greater KL/KV's population will need to grow from 6 million in 2010 to 10 million by 2020, representing a significant increase in the pace of growth of 5.6 percent per year compared to current baseline estimates ranging between 1.9 to 2.9 percent. This step-change in growth is ambitious, but not unprecedented. For example, over the period of 1999 to 2009, Shenzhen grew at an average rate of 7.1 percent per year. The incremental 4 million people in Greater KL/KV comprise both baseline population growth of 1.6 million people with the remaining from both domestic and international immigration. Of the 2.5 million immigrants expected to relocate to Greater KL/KV, 20 percent is expected to come from abroad, both expatriates as well as the overseas Malaysian community (the Malaysian diaspora).

4 GNI value includes labour contribution from other NKEAs when they locate in Greater KL/KV

Actions

From a demand perspective, five priority employment sectors have been identified for Greater KL/KV: education, financial services, business services, tourism and retail. From a supply perspective, geographical targets were developed to identify countries with a high concentration of Malaysian diaspora, such as Singapore, UK, USA, Australia and Canada, home to over 700,000 Malaysians, and countries such as India, China, Japan and the UK from where close to 50 percent of high-skilled talent in Malaysia originate today. Attracting these high-skilled talents requires a combination of creating the optimal environment in which to live, work and play as well as specific actions that can be taken to proactively engage them.

Establish Malaysia Halls in priority cities as convenient places for overseas Malaysian communities to congregate as well as to function as channels to increase awareness of opportunities and as one-stop centres to assist Malaysians in the process of relocating back to Malaysia.

Leverage leading personages in Malaysia such as the Prime Minister to personally target the top 100 Malaysian diaspora individuals. For example, this can be done through a personal letter to these individuals outlining three tangible things that they can do to contribute to the nation's development (e.g. supporting investments in education).

Track and engage with the top 5,000 most interesting Malaysian diaspora individuals who are internationally acknowledged to have contributed in a significant manner in their fields, including high net worth individuals, promising entrepreneurs and renowned academics. We will use head hunters who will encourage the individuals to relocate to Malaysia.

Upgrade consular services in priority cities to offer fast-tracked and efficient services for high priority individuals who meet baseline criteria, such as by profession or net worth.

Establish awards to recognise world-class Malaysians similar to the World Class New Zealand awards. These awards were established to recognise and celebrate successful New Zealanders and friends of New Zealand who help enhance the international reputation of the nation.

Establish an on-line job search engine specifically targetting Malaysian diaspora and foreigners interested in moving to Malaysia like the Jobs@Singapore portal established by Contact Singapore and the Kea Global Talent Centre for New Zealand.

Leverage top universities to reinvigorate alumni relations and create interest in relocating to Malaysia.

Extend Permanent Resident status to the immediate family members of expatriates who have been granted PR status.

Extend foreign graduate student visas beyond graduation to allow a grace period for foreign students to work locally.

The talent attraction initiatives will ultimately be the responsibility of the Talent Corporation, the setup of which was proposed under the Tenth Malaysia Plan. As mentioned in Chapter 3, we will set this body into operation by early 2011. The Talent Corporation will co-operate closely with Invest KL and MIDA to develop a comprehensive perspective on talent demand as a basis to further prioritise, further develop and implement talent attraction initiatives.

Funding

Total incremental funding requirements are estimated at RM18 million from 2011 to 2020, largely to fund the establishment of Malaysia Halls and other such one-stop centres in international cities.

Impact

This EPP will generate RM118.2 billion of additional GNI per year by 2020.

Greater KL/KV CONNECT

A leading global city needs the physical means to attract millions of people and to move them around within the city. Connectivity to other hubs and connectivity within Greater KL/KV are both critical for urban growth and improved productivity of the urban population. Two EPPs will be deployed to debottleneck connectivity between Greater KL/KV and other cities and within Greater KL/KV.

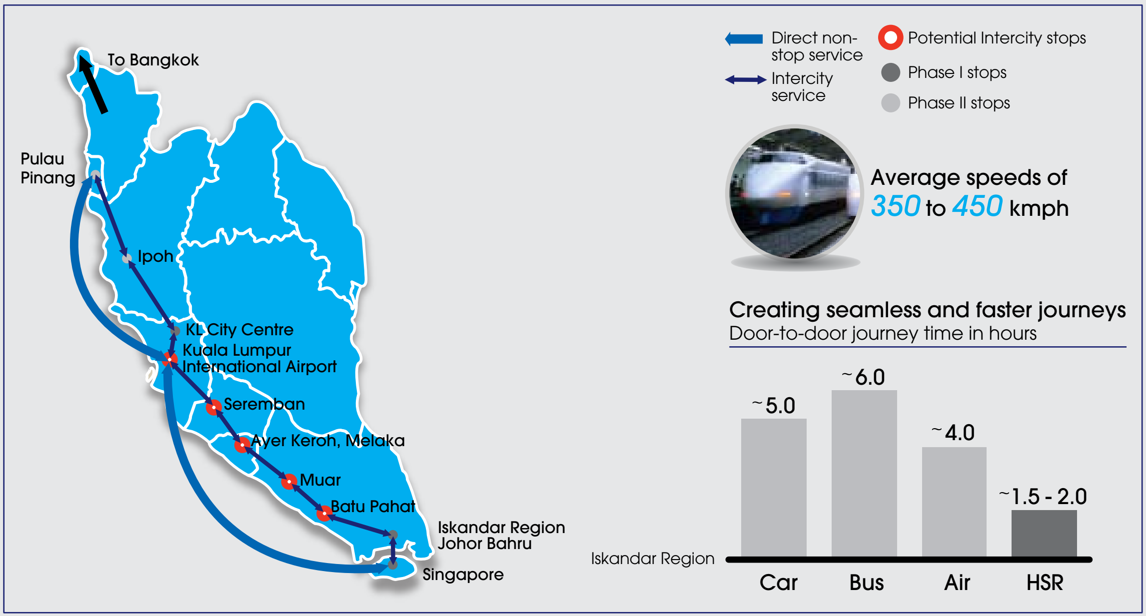
EPP 3: Connecting to Singapore via a High Speed Rail System

Rationale

Greater KL/KV and Singapore are both truly global cities. The proposed deployment of an HSR system connecting Greater KL/KV and Singapore will connect Southeast Asia's two largest economic agglomerations and unlock economic growth in intermediate Malaysia cities. Today, over 9.2 million trips every year are taken between these two cities, with road-based travel representing the largest share at 68 percent of the market. The HSR service will essentially transform travel on the Greater KL/KV–Singapore route by making daily travel a viable alternative. Door-to-door travel time will take just 1.5 to 2 hours, putting this route into the category of daily travel. This represents a savings of over two hours over air travel, the fastest available mode today (*Exhibit 5-9*).

Exhibit 5-9

High speed rail will provide non-stop services to major regional centres and intercity services



The HSR service will yield significant benefits to Greater KL/KV:

Establishing Greater KL/KV as a location of choice for businesses. Businesses will find Greater KL/KV an attractive alternative to Singapore due to its low-cost labour advantage. For example, in the services sector today, labour costs in Singapore are approximately two to three times higher than that of Greater KL/KV.

Transforming the way we travel. Demand for travel will increase significantly with preliminary survey results indicating an increase in demand of three to six times for business and leisure travellers (*Exhibit 5-10*). In other cities, increased demand for travel has influenced the specialisation of businesses and opened up markets for smaller firms, such as in the case of Paris and Lille in France after the introduction of a high speed TGV service through both cities. Increase in demand for leisure travel will be positive for Malaysia, with an estimated increase of RM2 to 5 billion in net tourism spend per year.

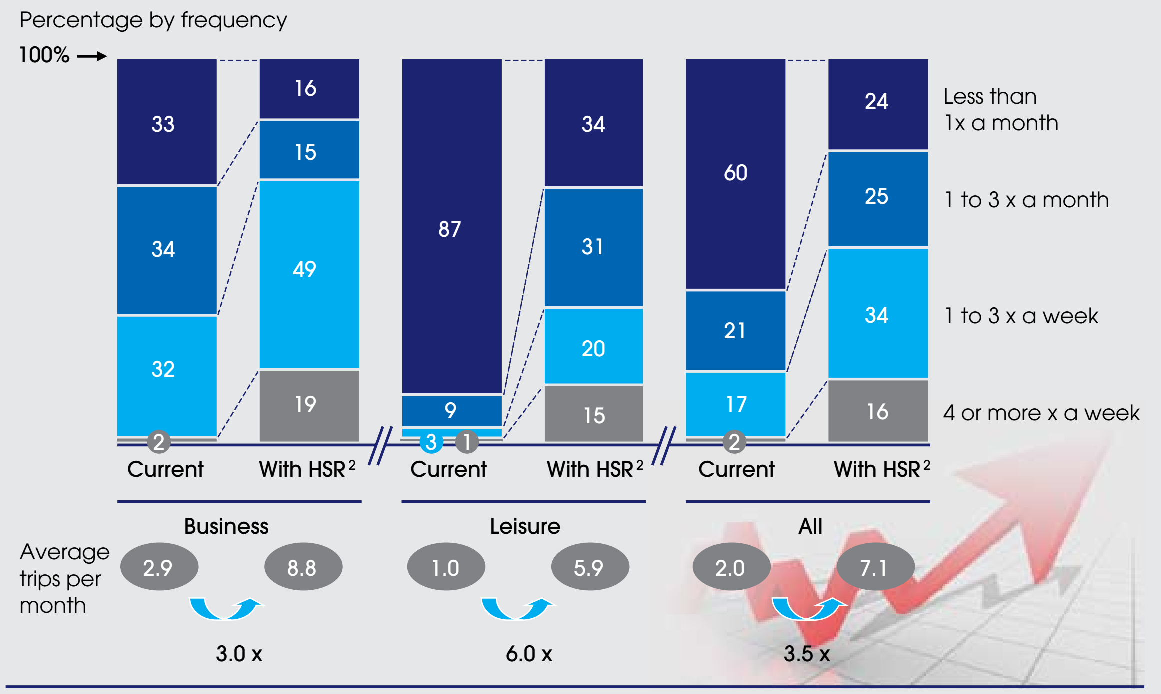
Uplifting the property market. Demand for Greater KL/KV property will increase to match regional peers. Today, property prices in Greater KL/KV are valued at five times below comparable units in Singapore.

Driving worker productivity. Significant reduction in travel time will drive worker productivity. Business travellers place a high value on time spent travelling. Overall, worker productivity can be expected to increase as business travellers not only save up to 2.0 to 2.5 hours per trip but are also able to work in comfort throughout the journey on the HSR service.

Exhibit 5-10

HSR will transform passenger travel with demand potentially increasing by 3 to 6 times in frequency

Trips by frequency of travel (n=200)[1]



1 Based on survey of KL-Singapore air commuters at KLIA, LCCT and Skypark terminal. Survey responses weighted based on volume of flights from each of the airports

2 Respondents were asked if they would change their travel frequency and by how much with the introduction of a HSR system that provided 60 minutes shorter travel time

Actions

Economic Planning Unit (EPU) and Suruhanjaya Pengangkutan Awam Darat (SPAD) will jointly drive the initial stages of this initiative. Specifically they will launch a detailed feasibility review of this initiative, to be concluded by the end of 2010. This study will be tabled to the Cabinet to obtain its approval.

The first step in deploying an HSR is validating the case for the rail system. This will entail refreshing the case for the HSR, defining options to optimise on private capital that monetise the property development potential, identifying opportunities around value management to reduce the overall cost of the initiative and defining the preferred operating model. This review will be completed by the end of 2010, with a decision then tabled at Cabinet for approval. At that point, assuming a positive outcome, we will begin discussions and negotiations with Singapore.

Funding

The project is estimated to cost RM16.5 billion.

Impact

This EPP will generate RM6.2 billion of additional GNI per year and create 29,000 jobs in direct and indirect employment by 2020.

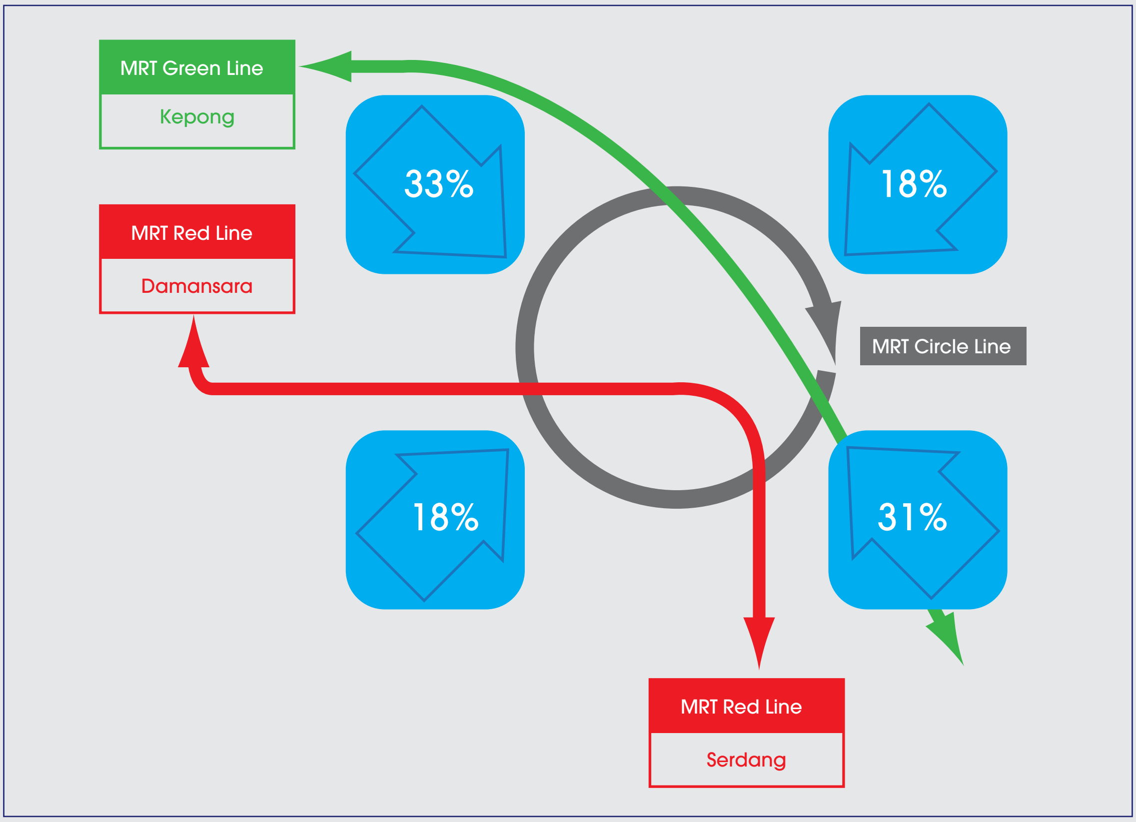
EPP 4: Building an Integrated Urban Mass Rapid Transit System

Rationale

The Greater KL/KV public transportation system is under significant pressure, having gone almost a decade without substantial investment in urban rail capacity. Under the Government Transformation Programme, the Urban Public Transport National Key Results Area initiatives will increase existing urban rail capacity, primarily through investments in rolling stock. However, there is a need to expand the coverage of population living within an accessible distance of an efficient rail system. Moving forward, Greater KL/KV's aspiration to achieve a 50 percent public transport modal share by 2020 will need to be supported by increase in coverage and capacity of urban rail. The proposed MRT system for Greater KL/KV will span 141 kilometres with three major routes serving a radius of 20 kilometres of the city centre. The system is estimated to be able to carry up to 2 million riders by 2020, serving 11 percent of total trips within Greater KL/KV and 64 percent of travel in and out of the KL city centre (*Exhibit 5-11*).

Exhibit 5-11

MRT system will serve over 11% of total travel across *Greater KL/KV* and 64% of travel in and out of KL city centre



SOURCE: Draft KL city plan 2020

In addition to providing much required relief in congestion and an increase in accessibility to Greater KL/KV's transportation landscape, the MRT system will contribute directly to the nation's GNI aspirations. As Malaysia's largest ever infrastructure project, the project will employ an estimated 130,000 people during the peak of construction with a significant multiplier impact in associated industries.

Actions

The proposed approach towards the MRT system marks a fundamental shift in the way we perceive public transportation – moving away from the perception of an MRT system solely as a mass mover of people, to a viable business opportunity where high value commercial developments leverage upon the mass movement of people. Four main levers will ensure that the project delivers a world-class MRT system at the highest value to the public while providing a fair return to the private sector.

Unleash the power of the private sector. Carving out clear roles and risk allocation across public-private sector based on best-in-class PPP (public private partnership) principles while identifying opportunities for private sector contribution to reduce the overall burden on public spending. For example, in the Hong Kong MTR system, capital investments in rail infrastructure are typically cross-subsidised by property development rights accorded to the MTR for areas adjacent to stations. Implementing a similar strategy for the Greater KL/KV MRT requires the introduction of strata titles that allow commercial property development to occur on land allocated for MRT right-of-ways.

Deliver better value, faster by pushing for value management at every stage of implementation: from design to operation. Efforts to optimise value in similarly large capital intensive projects, such as for Metro projects in Japan, have delivered cost savings of 22 percent (on average) to 40 percent (on the construction of a new line). Extracting value at each stage of the process from planning, design, procurement to construction will be critical to deliver similar types and scale of cost savings for the Greater KL/KV MRT system.

Fully integrate system with pace and shape of Greater KL/KV development. The MRT system will need to be designed to serve both existing commercial developments (existing travel demand) as well as upcoming major new developments (future demand) such as the Sungai Buloh Rubber Research Institute development, Matrade Centre and Kuala Lumpur International Financial District. Ensuring full integration of MRT stations and alignment with upcoming new developments will not only allow optimal catchment capture but also facilitate the unlocking of property development values.

Communicate the vision through a productive public consultation process to understand what matters to mass transit customers to inform design and implementation and respond to public concerns proactively over perception of a vendor-driven approach.

To implement the MRT, significant work has already been done by the initial private sector proponent. The Government will, over the next five months, validate this proposal as well as conduct a detailed study to deploy the four levers to minimise the public expenditure required while maximising the public good from this system. The outcome of this detailed study will be tabled to Cabinet by the end of 2010, upon which decisions will be made about the modalities of implementation.

Funding

Preliminary estimates show a total funding requirement of around RM47 billion. This is made up of infrastructure cost of RM36 billion with potentially an additional RM2 billion for expedited land acquisition. Further investments in the range of RM9 billion will be required for the operating assets of the company, such as rolling stock.

Impact

The GNI impact potential from deploying an MRT is estimated in the range of RM21.3 billion per year by 2020. Approximately 20,000 jobs will also be created in direct and indirect employment.

Greater KL/KV NEW PLACES

Cities around the world are often anchored around iconic places within the city. These places enhance the liveability of the city and also become natural focal points for work and play for the inhabitants of the city over the course of a day, naturally spurring economic activity from both locals and visitors.

EPP 5: Revitalising the Klang River into a Heritage and Commercial Centre for Greater KL/KV

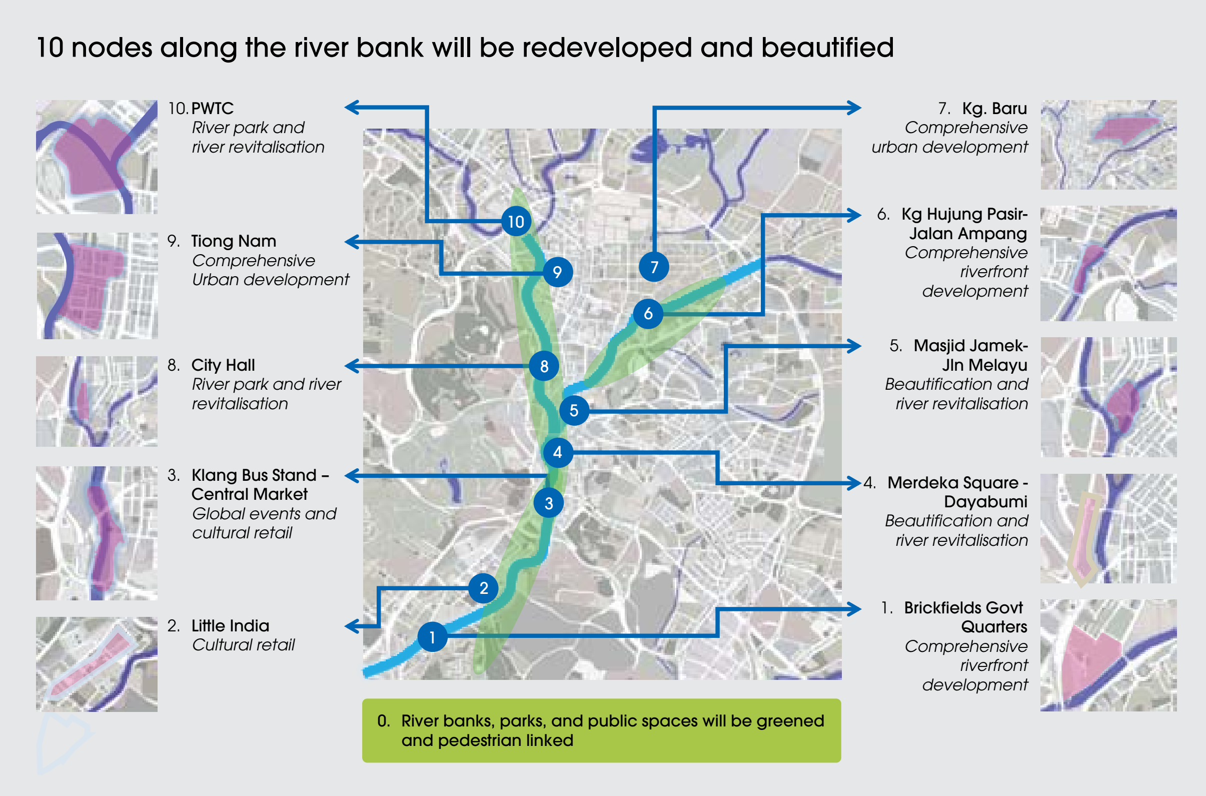
Rationale

The Klang riverfront is perhaps Greater KL/KV's most under-utilised natural asset. The Klang River has all the ingredients to become a vibrant waterfront, i.e. historical importance, heritage centre and location within the city centre, with enormous economic and liveability potential to be realised. A disproportionate number of the top ranking liveable cities boast a waterfront or river that has been leveraged for economic and liveability appeal. Examples include Vancouver, Melbourne, Auckland, Geneva and Seoul.

Actions

Revitalising the river involves redevelopment of several locations along a 10 kilometre stretch of river, along with a thorough river cleanup programme. Ten nodes of economic activity have been identified along the Klang and Gombak Rivers, as illustrated in *Exhibit 5-12*. For each of the nodes, in addition to beautifying the river bank and improving connectivity, mixed use developments will be encouraged to increase retailing, residential options and places of leisure such as parks and green spaces.

Exhibit 5-12

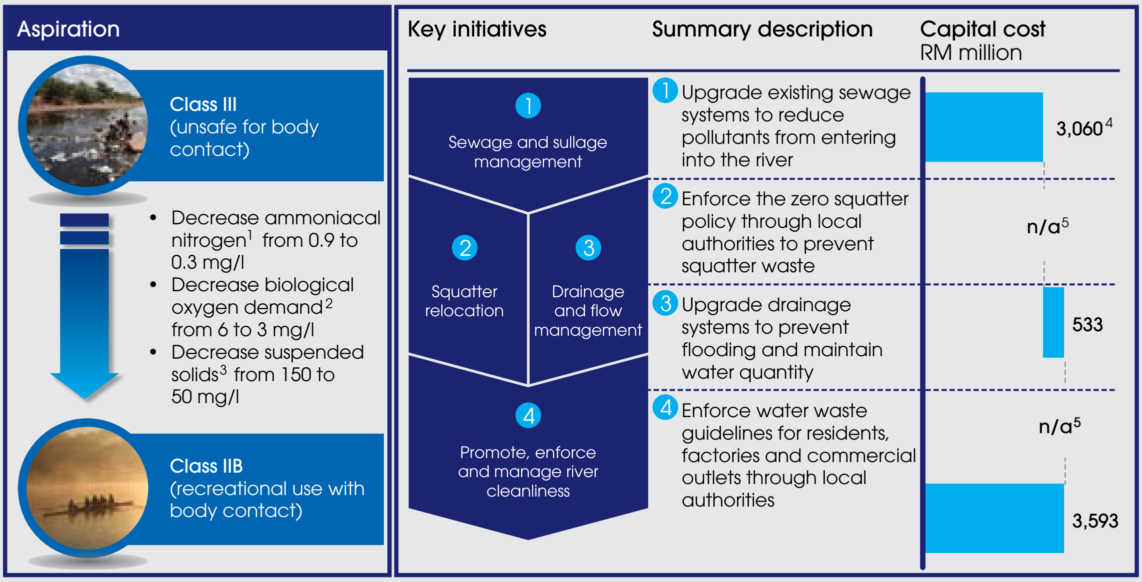


For each of these nodes, Kuala Lumpur City Hall (Dewan Bandaraya Kuala Lumpur, DBKL) will craft detailed development plans anchoring on the development mix, optimal dimensioning for each element and potential PPP structures for the redevelopment.

In parallel, the National Sewerage Department, Department of Irrigation and Drainage and DBKL are performing detailed studies on the river cleanup exercise, which will begin implementation in late 2010 or early 2011. The aspiration is to improve the water quality from its current Class III (defined as unsafe for body contact) to Class IIB (defined as safe for recreational use with body contact). Major cleanup initiatives include upgrading the existing sewerage system to reduce pollutants from entering the river system, enforcing a zero-squatter policy in partnership with DBKL and other local authorities, upgrading drainage systems to prevent flooding and enforcing waste water guidelines for residents, factories and commercial outlets along the river. These initiatives will be conducted in conjunction with the Selangor State Government, as upstream activities will be critical to ensure the water quality downstream in KL. *Exhibit 5-13* summarises these initiatives, together with the expected cost.

Exhibit 5-13

Greater KL/KV needs to address pollution and flooding of Klang river



1 Ammoniacal nitrogen (AN) is a toxic pollutant often found in sewage and landfill
2 Higher biological oxygen demand (BOD) BOD indicates higher presence of micro organisms, suggesting higher pollution
3 Suspended solid (SS) is organic and inorganic particle (e.g. waste, sand) that increases turbidity and reduces oxygen content
4 Sewage management cost mainly includes upgrading (RM2,300 million) and regionalising (RM740 million) sewage treatment plants
5 No additional capital expenditure for local authorities to enforce regulations

Implementing any urban redevelopment of this scale and scope is a multi-year and multi-functional effort. The redevelopment will be managed by a small but highly professional statutory Authority established under Federal legislation. The Authority will drive the site master planning and packaging of development sites to developers, the planning and co-ordination of the river cleanup, the enhancement of heritage and cultural components of the redevelopment, the community consultation processes, the overall marketing and the financial and legal aspects of the EPP. The Authority should be formally established by the end of 2011, subject to the legislative timetable.

In the interim, the initiative will be driven by a Joint Development Council (JDC) sponsored by the Minister for Federal Territories and Urban Wellbeing, and co-ordinated by DBKL. The JDC will play a co-ordinating role and act through the capabilities and powers of participants in four taskforces: authority set-up, river cleaning and beautification, planning and development and marketing. This will create momentum for the river revitalisation effort in parallel with the creation of the formal authority that drives it in the longer term.

Funding

Achieving this EPP's target requires a total capital expenditure of RM17.9 billion, RM14.3 billion of which is earmarked as the private investment component in real estate development.

Impact

The potential GNI impact from revitalising and redeveloping the identified nodes along the Klang River is estimated at approximately RM4.3 billion annually by 2020 with approximately 17,000 jobs created by 2020. This is primarily driven by the increased economic activity along the riverfront, enhanced tourism potential and property value appreciation.

EPP 6: Greening Greater KL/KV to Ensure Every Resident Enjoys Sufficient Green Space

Rationale

To become a top-20 liveable city in the world, KL City needs to significantly increase its green space. Today, the amount of green space per person in the city centre is only 12 square metres, which is not only below the WHO standards of 16 square metres per person, but also falls behind other leading liveable cities, such as Vancouver with 22 square metres per person. At current trajectory of population growth, the amount of green space per person will be half that of WHO standards at 8 square metres per person by 2020. The focus of this EPP is within the city centre of Kuala Lumpur as areas beyond the city still have sufficient green spaces.

Greening the city will improve liveability by creating a more comfortable living environment and providing spaces for healthy recreational activities. Furthermore, it increases property values as greener areas tend to command a price premium. Most importantly, it creates a sustainable environment by reducing inner city temperature and greenhouse gases.

Actions

A greener city can be achieved through three main initiatives:

Adopt a green-focussed development policy for both Government and private redevelopments, where the open space requirement of 30 percent of total area will be prioritised for green spaces. This could include major Government redevelopments that are larger than 40.5 hectares such as the TUDM Sg. Besi and any land under the purview of the Public Private Partnership Unit of the Prime Minister's Department (Unit Kerjasama Awam-Swasta, UKAS), Media City Angkasapuri, unused infrastructure reserves and land owned by private entities to be redeveloped.

Employ creative landscaping methods including dense foliage tree planting, rooftop greening and vertical landscaping. Tactically, DBKL will extend its current tree planting initiatives from 25,000 trees to 100,000 trees, with emphasis on large coverage trees to create the look and feel of green corridors. Through rooftop greening, 150,000 square metres of unused rooftops in KL city can be leveraged to increase green space. With vertical landscaping, where greenery are planted in vertical and over-hanging structures, up to 20 percent of additional green surface can be generated for transformed structures.

Integrate parks and promote outdoor events. This will not only give rise to the impression of a green city but also directly contribute to GNI through commercial activities. An integrated park system will be created to include parks of all sizes, landscaped boulevards and paths and public open spaces, where different open spaces in the city are connected through green trails. The vision is to enable people to walk across the span of the city without leaving the green trail. In addition, efforts will be made to proactively draw events to be held in parks, including both public events (e.g. concerts, performances, sports competitions) and private events (e.g. weddings, birthday celebrations, corporate parties).

Funding

Total funding requirements are RM149 million over 2010 to 2020, due to incremental funding requirements for tree planting initiatives.

Impact

The potential GNI impact is estimated at approximately RM1 billion annually, with approximately 3,000 jobs created by 2020.

EPP 7: Creating Iconic Places and Attractions

Rationale

All famous cities in the world have unique attractions that define the distinctive character and identity of the city. The Eiffel Tower and Seine River in Paris, Broadway and the Statue of Liberty in New York, the Oriental Pearl and Bund in Shanghai are all attractions that are intricately linked with the identity of these cities. Today, visualisation of Greater KL/KV is most likely to be associated with the Petronas Twin Towers or the Sultan Abdul Samad building.

However, Greater KL/KV has immense potential to further leverage existing heritage sites that can be preserved and redeveloped in a manner that both celebrates the history and heritage of Greater KL/KV, but also embraces a future as a cosmopolitan and global city. Furthermore, these iconic places also generate higher economic activities through additional hotel stays, retail revenues from visitors and locals and additional employment (*Exhibit 5-14*).

Exhibit 5-14

KL can be positioned as a global city and heritage centre by transforming existing attractions and building new attractions

Emphasis of KL attractions

Global city

- Showcasing KL as a world-class developed city
- Potential focuses include architecture, entertainment, shopping, etc.

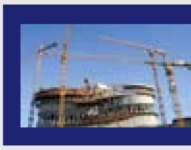
Heritage centre

- Showing KL as a world heritage site that offers one-of-a-kind cultural experience
- Potential focuses include historical landmarks, art, natural beauty, etc.

Approaches to create global attractions

Transform existing attractions

- Leverage existing attraction sites
- Significantly improve quality, change focus, or expand scope



Build groundbreaking new attractions

- Identify areas of interest that are underutilised
- Create new attractions with high global standards

Actions

As a starting point, three priority attractions have been proposed within the city centre, leveraging Greater KL/KV's invaluable heritage assets.

Heritage triangle walking museum links existing cultural and historical sites around the Masjid Jamek – Merdeka Square – Dayabumi – Central Market area through an official walking trail – an experiential journey through the history of KL anchored on unique heritage sites. The objective will be to showcase the city's rich cultural and heritage points, supplemented by interactive kiosks at key sites, live exhibitions and culture-focused retail activities through a network of well-sheltered pedestrian walkways.

Central Market art colony, where the current Central Market building will be transformed and redesigned into a complex with live art studios. The project, a PPP between DBKL and existing owner (Kha Seng Textile), will design incentive packages to attract well-known artists and allocate spaces for live performances and educational events. With a focus on up-scale cultural retailing and leisure, the surrounding areas will also be revitalised through the creation of pedestrian promenades and the relocation of existing craft and souvenir shops to areas surrounding Central Market.

Pudu Jail, which was built in 1895, has the iconic Pudu Jail Gate as a representation of our city's rich history. This site represents an opportunity to blend 115 years of tradition with modern architectural brilliance. The 7.9 hectares site will be transformed into a mixed development of residential, office and retail components, lined with cultural and recreational attractions. Iconic attractions such as a modern art museum to match world-class museums such as the Guggenheim in New York or the Tate Modern in London, concert halls or an open air amphitheatre will be developed on the site. The development will be well connected to the city's pedestrian walkways, monorail and light rapid transit lines with adjacent stations. DBKL will impose requirements to ensure that all buildings will be developed as green buildings, that portions of the original Pudu Jail building is preserved (such as the iconic gate) and that the development provides for a minimum of 30 percent open space that is accessible to the public. The development will also be granted an increase in plot ratio by 20 percent.

Additional sites within Greater KL/KV have the potential to become iconic places such as the old KTM station and China Town. For these sites, DBKL will establish stringent development criteria to include a 30 percent requirement for open spaces, in return for which developers are entitled to 10 percent more plot ratio on the gross area. In addition, DBKL is specifying requirements for iconic attractions consistent with the heritage of the site. To decrease public burden and leverage commercial expertise, redevelopment efforts will be driven through partnerships with the private sector to jointly design and build world-class attractions, especially for locations that are privately owned, such as Central Market.

Funding

Total funding requirements for two major attractions are RM240 million over the period of 2010 to 2020 with the private sector contributing 50 percent.

Impact

The potential GNI impact is estimated at approximately RM460 million annually, with approximately 13,500 jobs created by 2020

Greater KL/KV ENHANCED SERVICES

With the influx of global companies and talent into Greater KL/KV, improved connectivity and new destinations for locals and visitors, key services such as a pedestrian network and solid waste management must be enhanced to ensure sustainable long-term growth. Based on discussions with relevant authorities and owners, other services required for growth (e.g. housing, electricity, water and sewage) will be managed and will not become a significant bottleneck for Greater KL/KV.

EPP 8: Creating a Comprehensive Pedestrian Network

Rationale

Based on a public opinion survey by Seranta Awam, Greater KL/KV is not a pedestrian-friendly city, as it currently has inefficient design, poor maintenance and poor accessibility. Locals and visitors often find that there are no linkages between buildings, poor continuity in pedestrian walkways and lack of access for the physically challenged and elderly.

In addition to a direct impact on liveability, the value of a comprehensive pedestrian network will be significantly enhanced if integrated with other major developments in the city. Linking pedestrian walkways with the MRT system will help improve traffic flow in and out of stations, improve connectivity between transit nodes and increase retail activities either in or near the MRT stations. Connecting pedestrian walkways with the revitalised Klang River will encourage tourists and locals to visit the heart of the city and promote commercial and leisure activities along the river banks.

Actions

Currently, DBKL and the private sector have initiated programmes to construct 4.5 kilometres of covered and elevated pedestrian linkages in the city centre, with an expected completion date of mid 2012. DBKL will complete two sets of walkways by late 2011 with the first linking Berjaya Times Square to Pavilion and the second pair linking Jalan Perak and Pavilion with Crowne Plaza and Jalan P. Ramlee, and linking Jalan Sultan Ismail with Jalan Pinang.

Additionally, Syarikat Prasarana Nasional Berhad (SPNB) will complete six linkages in the city centre by the end of 2010 as part of its broader public transport investment programme, while a PETRONAS-led effort to complete an elevated walkway around the KLCC area will be completed by 2011.

In parallel, a long-term plan will be developed by DBKL to deploy a full pedestrian network across KL city totalling 45 kilometres. Implementation of this extended corridor will begin in 2012 and is expected to be completed by 2014. There are three phases for the comprehensive plan:

- **Phase 1**: 3-kilometre major spine from Merdeka Square to Jalan Tunku Abdul Rahman, which ends at Chow Kit area. This will serve high pedestrian volume in parts of the city with major commercial activities;

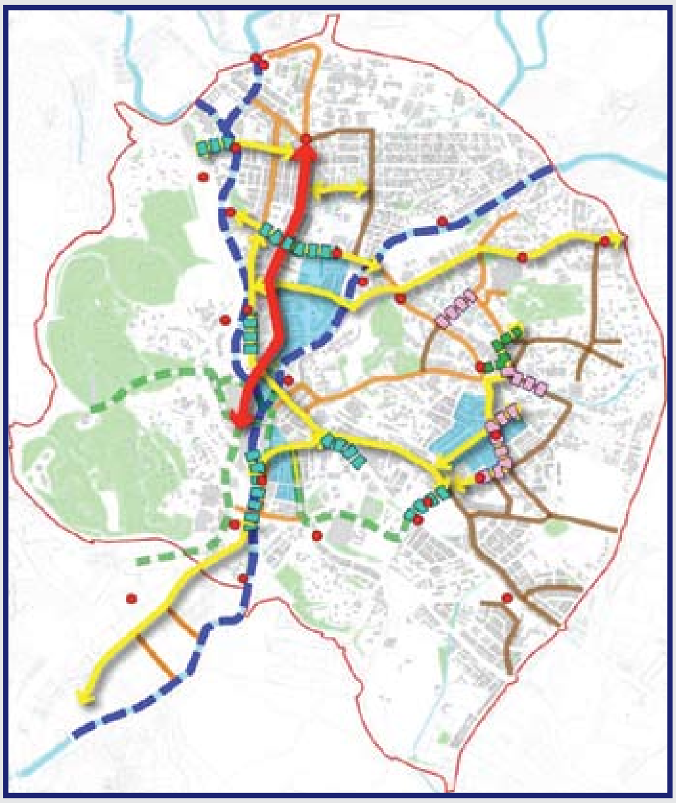
- **Phase 2**: 14 kilometres of primary walkways for high pedestrian traffic between major locations and transit nodes; and

- **Phase 3**: Secondary routes that connect key pedestrian walkways (9 kilometres) and extend the pedestrian coverage throughout city centre (16 kilometres).

Details are illustrated in *Exhibit 5-15*.

Exhibit 5-15

A comprehensive pedestrian network will be developed for KL city centre



Comprehensive plan/Long term

- Major Spine
- Primary Route
- Secondary Route (1st Wave)
- Secondary Route (2nd Wave)
- Riverfront Walkway
- Heritage Trail
- Pedestrian Priority Zone
- LRT Stations

Priority walkway (length, construction period)

- DBKL (~2 km, Oct-Sep 2011)
- SPNB (~2 km, Jun-Dec 2010)
- PETRONAS (~0.5 km, Apr-Feb 2011)

1 Priority walkways for the near term (~2km, by DBKL)

- **Phase 1 (Berjaya Time Square to Pavilion)**
  - ~800m of covered and grounded walkway
- **Phase 2a (Jalan Perak / Pavilion to Crowne Plaza)**
  - ~400m of elevated and covered walkway with air conditioning
- **Phase 2b (Jalan P. Ramlee / Jalan Sultan Ismail to Jalan Pinang)**
  - ~450m, same specifications as Phase 1

2 Comprehensive plan for the long term (~42 km, phased over time)

a **Major spine (~3km)**
- High pedestrian volume with major commercial activities (e.g. retail)

b **Primary route (~14km)**
- High pedestrian traffic between major locations and transit nodes

c **Secondary route**
- First wave (~9km)
  - Connect key pedestrian walkways
- Second wave (~16km)
  - Extend the pedestrian coverage throughiout city centre

3 Other pedestrian walkways

- **River front walkway** – covered by the Revitalising Klang River EPP
- **Heritage trail** – covered by the Iconic Places EPP

SOURCE: Kuala Lumpur City Hall

To create an efficient pedestrian network, DBKL and other relevant local authorities will proactively solicit and incorporate public opinion throughout the design process, conduct a detailed cost analysis to cut construction costs and integrate the design to link with other major developments (e.g. MRT, Klang River revitalisation, retail outlets).

Funding

Total funding requirements are estimated at RM105 million from 2011 to 2020 for the complete pedestrian network.

Impact

The potential GNI impact is estimated at approximately RM6 million annually.

EPP 9: Developing an Efficient Solid Waste Management Ecosystem

Rationale

Current solid waste management practices in Greater KL/KV are not sustainable, driven largely by four major concerns. Firstly, waste generation is expected to grow from 10,000 tons per day to 17,000 tons per day by 2020, exceeding the daily capacity of existing sanitised landfills. Secondly, recycling rates lag behind those of developed nations at just 11 percent (in 2009) compared to Singapore at 57 percent and Denmark at 42 percent. Thirdly, solid waste management fees form a high proportion, approximately 60 percent, of total household assessment fees and represent a significant burden on local authority financing. Finally, poor performance of solid waste collection and public cleaning functions result in high rates of complaint, e.g. DBKL alone receives on average 45 complaints a day on these two services. Moving forward, efficient solid waste management and public cleaning services will be increasingly important to support Greater KL/KV's dense pattern of development.

Actions

Improvements to solid waste management and public cleaning services will focus on four main levers.

Revamp solid waste management fees. Current billing and fee collection methods do not provide transparency into the costs associated with solid waste management. Moving forward, direct billing will be introduced such that premises will be charged separately for solid waste collection and management. Today, solid waste management costs forms a major proportion of a local authority's budget. For example, DBKL assessment fees are currently RM367 per household, and two-thirds of this revenue is channelled solely to solid waste management. Moving forward, solid waste management tariffs will be reflective of costs, differentiated and linked to the volume of waste disposed, to create incentives to reduce waste generation in line with the principle of polluter pays. This principle has been applied successfully overseas such as in the case of a municipality in Belgium that saw waste generation rates stabilise with the implementation of differentiated tariffs and high recycling rates of about 75 percent.

Increase implementation of reduce, reuse and recycle (3R). Initiatives will create a recycling ecosystem to achieve a recycling rate of 40 percent by 2020 (compared to current stated targets of 22 percent). Mandatory separation of waste at source will be enforced (e.g. waste collectors will only pickup separated waste) by 2012. With separation at source, major recycling initiatives to reduce the total amount of waste sent to landfills, such as composting and anaerobic digestion for organic waste (45 percent of total waste generated), can be implemented.

Explore options for solid waste treatment. Currently most waste is disposed of at sanitary and unsanitary landfills. Moving forward, given land constraints and environmental concerns, waste treatment alternatives will need to be established. The Government will review options such as sanitary landfills and incineration as well as mechanical-biological treatment facilities. While the Government will need to, as a matter of policy, decide on the choice of treatment technology, any future investments in waste treatment should be done on a PPP basis with selection of private sector investors done on an open tender basis with reasonable performance based contract tenures.

Ensure performance of waste management and public cleansing concessionaires. Under the federalisation process, waste collection services will be provided under a long term 22-year concession contract. The contract will incorporate meaningful and sufficiently punitive penalties for underperformance (and not just non-payment) and similarly, rewards for good performance. The contract should also provide flexibility to the Government to routinely review tariffs to ensure fair and reasonable rates.

Funding

Total investment requirements over the period of 2011 to 2020 stand at an estimated RM3.5 billion. A significant portion of this will be through private sector investment from the privatisation initiative of collection and waste treatment functions.

Impact

The potential GNI impact is estimated at approximately RM157 million annually.

BUSINESS OPPORTUNITIES

The nine EPPs across four dimensions will transform Greater KL/KV. But the combined effect of attracting global companies and talent, connecting the population, developing new places and enhancing services is much greater than the simple summation of nine projects. Successful implementation of the nine EPPs will lead to additional business opportunities within Greater KL/KV that will continue to enhance Greater KL/KV's liveability and generate incremental GNI. Three opportunities are highlighted here.

Business Opportunity 1: Putrajaya

Greater KL/KV's rapid growth will creates opportunities to reinvigorate Putrajaya. Today, Putrajaya already has many positive facets, including world-class infrastructure, extensive green spaces and waterfront and a daytime working population. However, the city lacks vitality and does not attract activity beyond its role as the administrative capital of the nation. As a starting point, four initiatives are proposed to reinvigorate Putrajaya:

Reshape the main boulevard. As the central spine of the city, both sides of the 4.2-kilometre boulevard need to be enhanced with vibrant activities. Retail shops, upscale street vendors and food and beverage premises will be developed along the boulevard to generate foot traffic, which will bring life to the city centre. In addition, public areas will be designated for and actively attract outdoors events (e.g. art performances, sports and martial arts).

Leverage waterfront potential. The natural lake waterfront will be developed to host waterfront retail and large-scale leisure developments (e.g. a water theme park). With close proximity to the boulevard, these locations will be packaged to draw visitors and residents alike.

Increase connectivity. To provide effective connections with Cyberjaya, Bangi, Kajang and Serdang, a detailed assessment will be conducted regarding the feasibility of reviving the monorail service. In the immediate future, the number of park-and-ride stations will be increased from one to at least four to cover major entry and exit points to Putrajaya.

Draw economic activity. Putrajaya will need to broaden its role beyond one of Government administration to attract other economic activities. One way will be to develop a world-class political science university or higher learning institution for students from the third world and developing countries. A special economic zone will be established by ring-fencing neighbouring areas (e.g. IOI, Cyberjaya) to attract commercial entities with attractive fiscal incentives and other market-friendly policies. Also, partnerships will be explored with established private developers such as IOI to develop selected land plots within Putrajaya.

Business Opportunity 2: Housing

Greater KL/KV will need to house one million new residents by 2020, and the current projected housing supply is expected to be sufficient to meet demand. The challenge lies in providing the right mix of housing, moving from 81 percent of upper middle cost housing in 2009 to 85 percent in 2020 in line with supporting increasing income levels of the Greater KL/KV population. In parallel, with the expected increase in economic activity, there will be a commensurate increase in commercial space required. However for both of these, caution needs to be taken to avoid either a price bubble or an over-supply situation.

Relevant local authorities are aware of this supply-side imbalance and are reflecting this into their approval processes. In addition, greater visibility into the current and projected housing supply and demand will be provided, as NAPIC will provide annually updated data, including information on occupancies and the number of empty units in the market as part of its Property Market Report.

Business Opportunity 3: Basic Water and Sewerage Services

Growing urban economies naturally create more demand for services. To become a top-20 liveable city in the world in parallel with its dynamic growth, Greater KL/KV will need to improve its water and sewerage systems to ensure adequate provision of services and amenities. In the area of water supply, this will be achieved by accelerating the development of water treatment facilities for Langat 2 Phases 1 and 2, which will be critical to meet demand beyond 2014. The Langat 2 project will increase capacity from the current level of 4,600 million litres per day to 6,700 million litres per day.

In addition, to build on the enabler for sewerage services, efforts will be focused on increasing the percentage of population connected to efficient regional networks from 71 percent in Kuala Lumpur and 18 percent in Selangor to 86 percent and 50 percent respectively, moving away from a system of fragmented and small sewerage treatment plants (STPs) that frequently do not adhere to environmental requirements. Further capital investments will be required to support refurbishment and upgrades of 32 regional STPs and 1,495 multipoint STPs that do not currently meet the new DOE quality standards. The target will be to have 91 percent of all STPs upgraded to a Category 1 status by 2020. A sewerage rehabilitation programme will also be carried out to upgrade 346 km of existing sewer network.

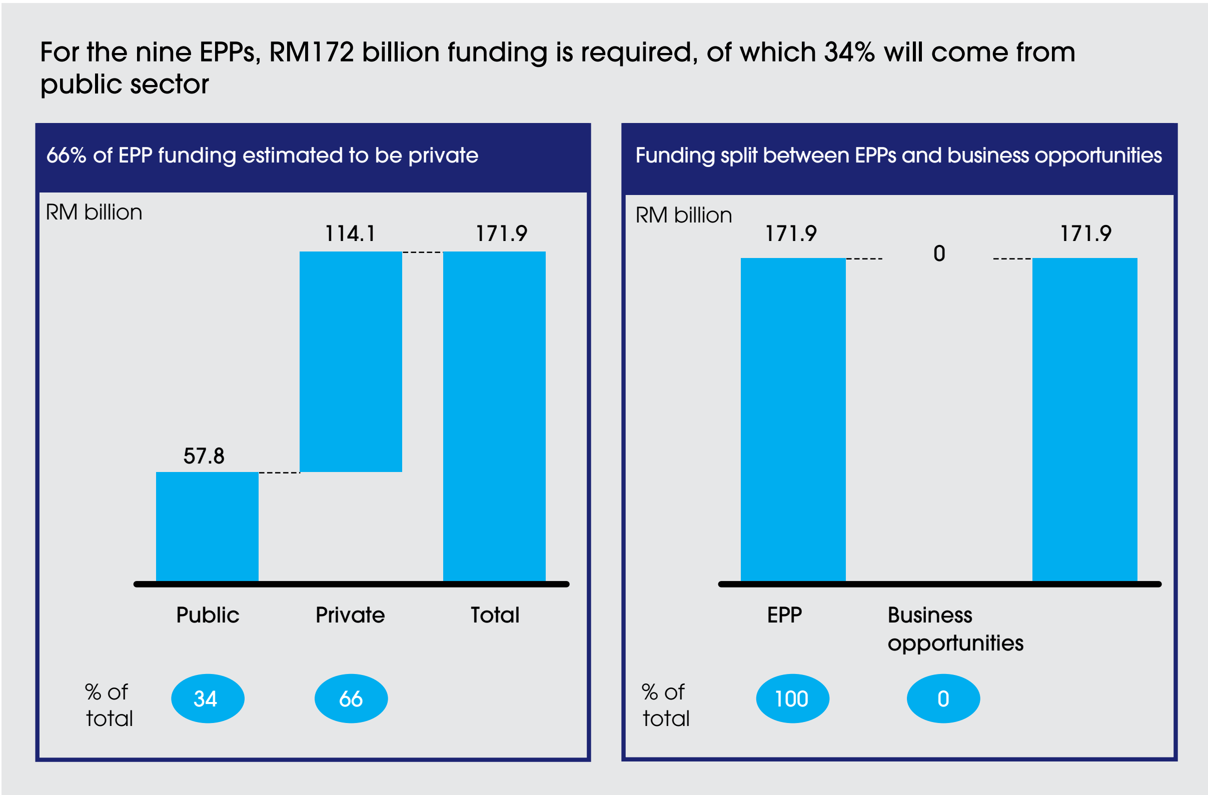
FUNDING

The 20-20 by 2020 challenge of the Greater KL/KV NKEA is a monumental one, which will require significant amount of funding. This funding will be achieved via a public-private partnership model.

Overview of Funding Requirements

The 20-20 aspiration is a challenging one. Tripling Greater KL/KV's GNI by 2020, and moving up the ranks from number 79 to the top 20 in the EIU's Liveability Index will be a monumental task. While the private sector will finance two-thirds of total funding requirements across the nine EPPs, the Government continues to play a critical role in contributing some investment, especially in public service infrastructure to create an environment that is attractive for and conducive to nurturing dynamic and innovative economic activities. As shown in *Exhibit 5-16*, Greater KL/KV EPPs will require a cumulative funding of RM172 billion from 2011 to 2020.

Exhibit 5-16



Highlights of investment requirements include:

- **Greater KL/KV Magnet**
  RM82 billion in private sector investment is expected for the attraction of 100 MNCs to locate in Greater KL/KV;

- **Greater KL/KV Connect**
  Current estimates for the HSR and MRT system total RM64 billion from 2011 to 2020 with a public-private investment ratio of 70:30. These estimates are expected to be revised pending the results of studies commissioned to explore levers to increase private sector funding and are discussed in greater detail in the following section;

- **Greater KL/KV New Places**
  RM18 billion investment in the river of life development, greening initiatives and iconic places with a public-private investment ratio of 20:80. This is largely driven by private sector investment in the redevelopment of the 10 River of Life development nodes as well as significant investments in sewerage treatment and drainage upgrades to support river cleaning efforts; and

- **Greater KL/KV Enhanced Services**
  RM8 billion investment to support the upgrading of pedestrian walkways, sewerage services and improvements in solid waste management (e.g. increase in waste treatment capacity and investments in new rubbish collection bins). Solid waste management initiatives are expected to be private sector-driven under the solid waste management federalisation and privatisation exercise.

A New Public-Private Partnership Model to Finance the Delivery of Public Services

Funding Greater KL/KV's ambitions will require a new approach. Across the 12 NKEAs, Greater KL/KV has the largest public sector funding requirement of RM58 billion or 34 percent of total investment requirements. This reflects in part the critical role that Government will play in continuing to invest, especially in public service infrastructure, to support the pace and scale of Greater KL/KV's growth. In the case of Greater KL/KV, two priority EPPs alone, the MRT and HSR systems, could amount to nearly 90 percent of the total public investment requirement or RM50 billion over the next decade.

Globally, public infrastructure projects are increasingly financed through PPPs. Infrastructure requirements amounting to USD 1 trillion will be required over the next decade in Asia alone. PPPs can provide innovative sources for procurement and funding, along with a risk transfer to the private sector, which is often better equipped to manage risks. For example, in the UK, PPPs have reduced overall costs by 20 percent and proportion of projects with budget or time over-runs have reduced by 60 to 70 percent. In addition, through properly designed incentives PPPs can better allocate risks and broaden sources of financing. In the case of Greater KL/KV, a new approach to financing large infrastructure projects is required to reduce the total public investment requirements in today's tight fiscal environment.

Two levers are most critical: packaging of commercial opportunities and driving capital productivity. First, private sector contributions to investments can be increased by linking the infrastructure project to other high profit-generation opportunities such as property development, thus creating incentives for greater private sector involvement. Second, driving capital productivity in design, construction and operations will ensure the lowest amount of funds overall (both public and private) to deliver the highest value.

In terms of packaging commercial opportunities, international examples have demonstrated how investments in public transport infrastructure can be cross-subsidised through capturing the potential from monetising the air-space development rights on and around rail stations, especially stations in areas with high commercial potential. The Hong Kong MRT operator (MTR Corporation) is a benchmark reference case with over 55 percent of its profits derived from property development and rental. In the case of Greater KL/KV, there is significant value in monetising these same air rights, and using this to offset part of infrastructure costs. This however requires an upfront process where station locations are selected not only on the basis of accessibility and connectivity, but also on air rights or developmental potential. In addition, PPP structures need to be defined to allow the Government to capture or monetise part of this value.

On the second lever, total costs must be addressed to drive capital productivity. There is typically significant opportunity to reduce the overall cost from a lifetime cost perspective, covering both upfront capital cost and subsequent operations and maintenance costs. Savings are best identified and captured through value management and world-class delivery, ensuring a design that meets functional requirements that consciously avoids unnecesary gold-plating and then optimising procurement and construction costs. Examples from other deployments such as the Japanese metro system have shown a reduction in overall cost by 22 to 40 percent by applying these principles.

Current estimates of public investment required for the MRT an HSR systems are RM38 billion and RM12 billion for the infrastructure component. This does not account for the potential to significantly reduce these amounts through implementation of the two levers above. EPU, SPAD and the Ministry of Finance will launch two parallel studies (mentioned in previous sections) to quantify these reductions for both infrastructure projects as well as outline clear implementation processes to capture them in close partnership with the private sector. These studies are expected to be completed end of 2010 and early 2011, respectively.

GOVERNANCE AND DELIVERY

Successful implementation of Greater KL/KV EPPs will require co-ordination, further planning and focus. The tasks will be complicated by the cross-functional and cross-jurisdictional nature of the area of Greater KL/KV. Implementation of all the identified EPPs will require participation and co-operation of multiple local authorities, agencies, ministries, private sector participants, the public and of course other NKEA EPPs. Co-ordination in planning and execution is critical.

As each of the EPPs moves forward, their plans will be further refined and augmented. For example, precise routing of the MRT and HSR systems must still be defined, and there are several parcels of land in KL that would benefit from redevelopment efforts like those planned today for the Klang River. Furthermore, implementation of the Greater KL/KV NKEA will involve significant further planning and elaboration of the current EPPs.

6 Globally, infrastructure transport projects, even those implemented through PPPs, typically receive some form of government financial support due to the size of investment required and the recognition that these projects deliver huge multiplier and productivity benefits to cities that cannot be captured and monetised explicitly by the project on a standalone basis. There is an increasing trend to separate infr astructure investments (i.e. investments in rail tracks, tunnels) from operating asset investments (i.e. trains). Operating assets can be financed privately on a standalone basis and the investment recovered through fare revenues.

At the same time, success for each EPP will require clear accountability and ownership. As such, a natural owner of each EPP has been identified. The owner will have primary delivery responsibility for the EPP. Beyond the respective primary owner, related entities who will have a role in the success of the EPP have also been identified. These are summarised in *Table 5-1*.

Table 5-1

EPP	Lead initiative owner	Other key agencies, companies and organisations
Attracting 100 of the World's Most Dynamic Firms within Priority Sectors	Invest KL	Ministry of Federal Territories and Urban Wellbeing Malaysian Investment Development Authority Multimedia Development Corporation Selangor State Investment Centre 10 local authorities of Greater KL/KV
Attracting the Right Mix of Internal and External Talent	Talent Corporation	Ministry of Home Affairs Immigration Department Ministry of Human Resources
Connecting to Singapore via a High Speed Rail System	Suruhanjaya Pengangkutan Awam Darat (SPAD)	Economic Planning Unit Ministry of Finance Ministry of Transport
Building an Integrated Urban Mass Rapid Transit System	Suruhanjaya Pengangkutan Awam Darat (SPAD)	Economic Planning Unit Ministry of Finance Ministry of Transport Kuala Lumpur City Hall and other affected local authorities
Revitalising the Klang River into a Heritage and Commercial Centre for Greater KL/KV	River of Life Joint Development Unit to be formed under Kuala Lumpur City Hall	Ministry of Federal Territories and Urban Wellbeing Department of Irrigation and Drainage Department of Environment National Water Services Commission Department of Sewerage Services Selangor government, Selayang and Ampang local authorities
Greening Greater KL/KV to Ensure Every Resident Enjoys Sufficient Green Space	Kuala Lumpur City Hall and other local authorities	Ministry of Natural Resources and Environment
Creating Iconic Places and Attractions	Kuala Lumpur City Hall and other local authorities	Ministry of Tourism Ministry of Information, Communications, and Culture Khazanah Nasional Berhad
Creating a Comprehensive Pedestrian Network	Kuala Lumpur City Hall and other local authorities	Ministry of Federal Territories and Urban Wellbeing Selangor State Government
Developing an Efficient Solid Waste Management Ecosystem	Solid Waste and Public Cleansing Management Corporation	Department of Solid Waste and Public Cleansing Management Ministry of Housing and Local Government Local authorities

For all nine EPPs, detailed implementation plans have been developed. The owners and most of the involved agencies for each of these EPPs have given input and are aligned on the implementation plans. *Exhibits 5-17 and 5-18* summarise the key milestones across the four dimensions.

Exhibit 5-17

Key milestones for Greater KL/KV in the short term

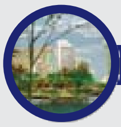
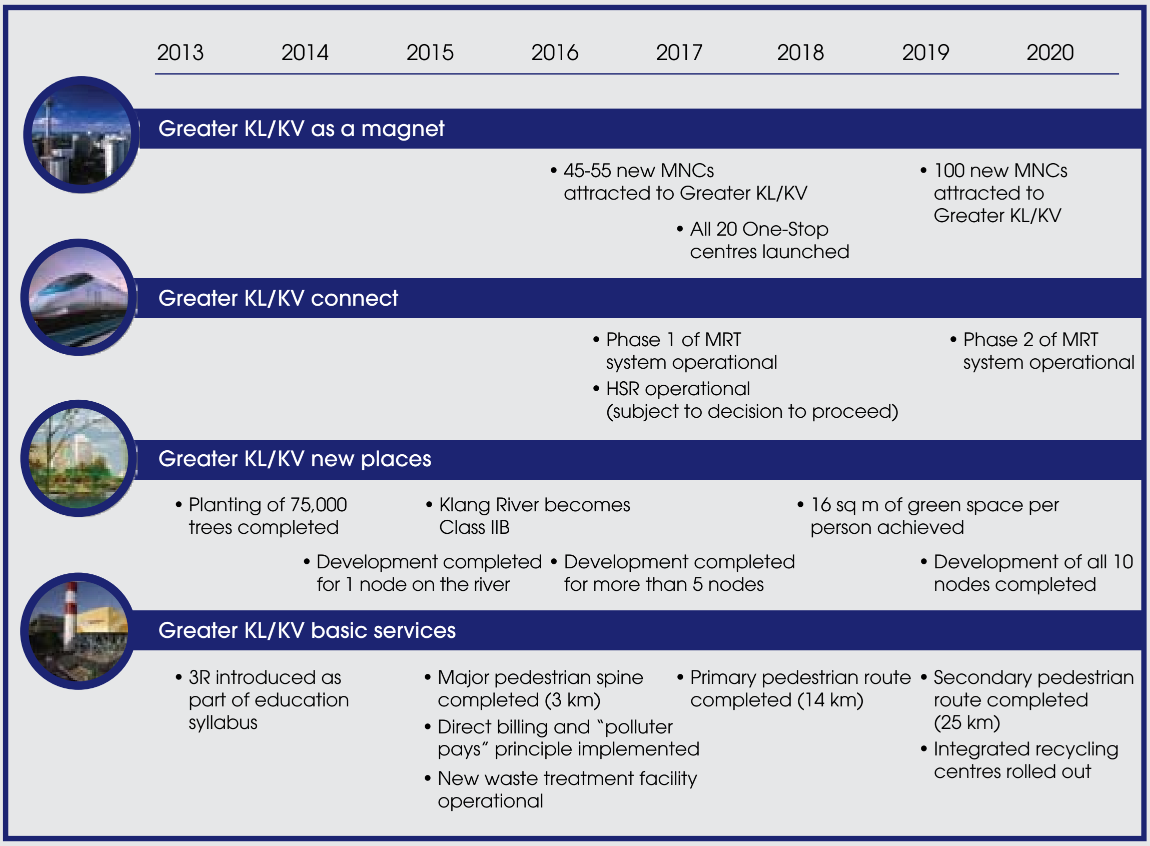
	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4
 Greater KL/KV as a magnet			• Invest KL established • Talent Corporation established		• First One-Stop centre launched • First new MNC establishes HQ in Greater KL/KV		• MY Home portal for diaspora launched		• 8-12 new MNCs attracted to Greater KL/KV	
 Greater KL/KV connect				• Construction on Phase 1 of MRT system begins • Cabinet decision on HSR system			• Construction of HSR system begins (subject to decision to proceed)			
 Greater KL/KV new places	• River cleansing efforts begin		• Planting of 75,000 trees begins				• River Development Authority establised		• Construction of world-class attractions begins	
 Greater KL/KV basic services					• 2km walkway in city centre completed by DBKL			• Construction of comprehensive pedestrian network begins	• Distribution of recycling bins to all households begins	

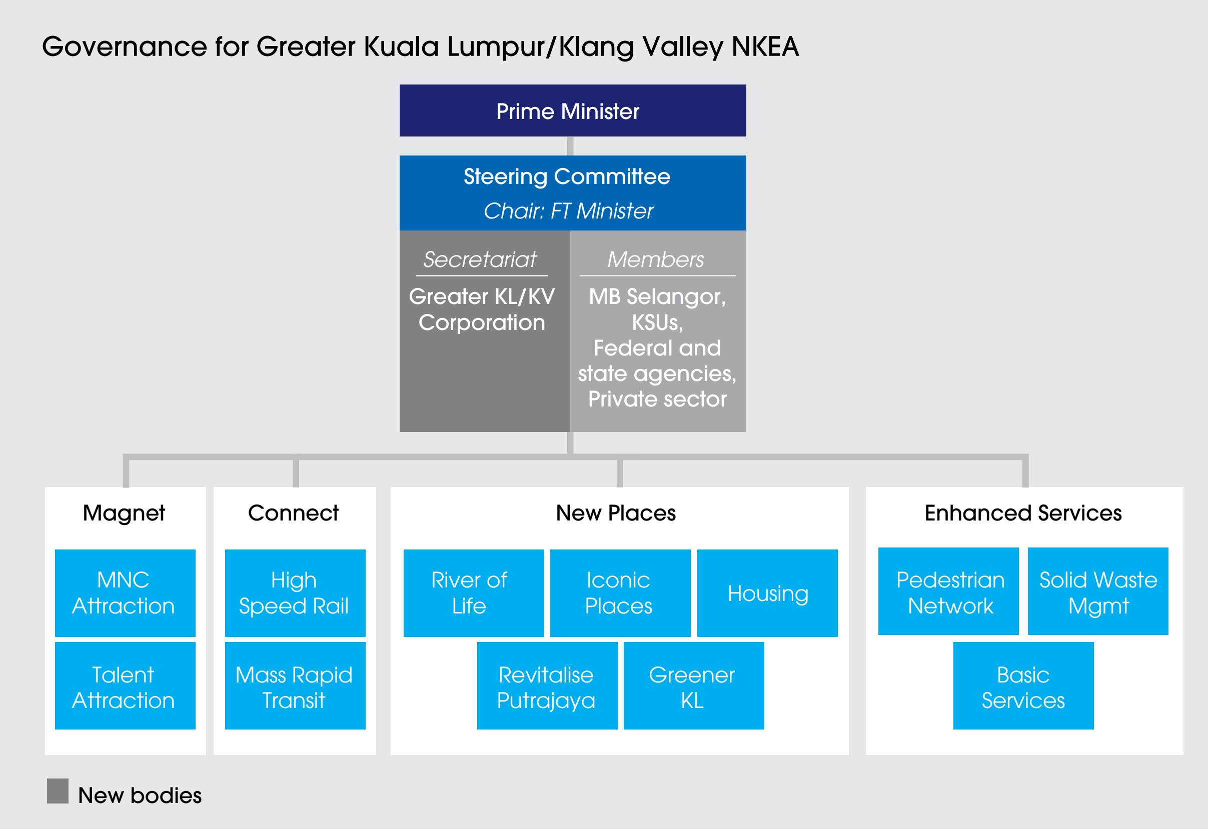
Exhibit 5-18

Key milestones for Greater KL/KV up to 2020



Given the need for co-ordination, further planning and focus, an overall governance structure is also required. The goal is to monitor implementation and deliver on not only the nine EPPs, but also on the three broader business opportunities, and to ensure the timely co-ordination across agencies and private sector. The overall governance structure that will be put in place is summarised in *Exhibit 5-19*. It is designed to be heavy enough to drive successful execution of the EPPs, but not so heavy that it duplicates the functions of existing government bodies and agencies. It achieves this by creating just three roles above the EPPs: The Prime Minister as ultimate sponsor, a Greater KL/KV Steering Committee and a Greater KL/KV Corporation that also acts as Secretariat to the Steering Committee.

Exhibit 5-19



The Prime Minister will act as the ultimate sponsor, supported by the Minister of Federal Territories, who leads the Greater KL/KV Steering Committee.

The Greater KL/KV Steering Committee members include key affected ministers (e.g. Minister for EPU, Minister of Finance and Minister for Housing and Local Government), Chief Secretary to the Government (KSN), Director General of the EPU, Secretary General to the Ministry of Finance, Kuala Lumpur's Mayor, Selangor's Chief Minister and Director General for UKAS as well as several prominent people from the community and private sector. The steering committee will meet once a month and will monitor progress on key initiatives, help resolve issues and barriers and ensure implementation and expedited delivery.

The Greater KL/KV Corporation is the executive component of this governance structure. It serves as Secretariat to the Steering Committee and as the driver and co-ordinator across EPPs on a day-to-day basis. The Corporation will be staffed with 8 to 10 professional personnel who have relevant subject matter expertise across the EPPs and necessary support staff. The Chief Executive of the Greater KL/KV Corporation will be critical. The individual targetted for this position will be a high-performing, high-profile and well- connected leader, with the ability to effectively influence and build coalitions of support to enable accelerated implementation across the EPPs.

Summary of Greater Kuala Lumpur/Klang Valley NKEA	
• **Incremental GNI impact in 2020**	RM391.6 billion
• **Additional jobs in 2020**	553,000
• **Critical targets and milestones within 6 to 12 months** • Invest KL established • First One-Stop centre launched • Construction on Phase 1 of MRT system begins • Planting of 75,000 trees begins • 2-kilometre walkway in city centre completed	

Box 5-1 summarises the Greater KL/KV NKEA.