

China, Japan, France, Germany to Tender First High-Speed Rail in South

East Asia:Connecting Kuala Lumpur

Editor's Note

The proposed Malaysia-Singapore High-Speed Rail is going to connect Kuala Lumpur and Singapore, with a total length of about 350 km and cost 12 to 15 billion US dollars investment. This is the first high-speed rail in South East Asia and plays an important part in Trans-Asian Railway System. It has great meaning towards China's "Going-Out" and "One Belt and One Road" strategic policy. After an agreement has been made between two leaders of Malaysia and Singapore regarding constructing a rail line, China officials have expressed in many occasions the will to participate in this project.

However, many other international high-speed rail tycoons are interested. For now, China, Japan, France, Spain and Germany have expressed their tender intent to Malaysia. Amongst the high-speed technology competition, a joint venture formed by four subsidiary companies of Japan Railway Group: JR Hokkaido, JR West, JR East and JR Kyushu. The Chinese also formed a consortium by six companies to participate the competition.

At the moment, Yining Zhao, the chief reporter of 21st Century Business Herald, is enroute the countries along "One Belt and One Road" to Kuala Lumpur. Therefore, in regards to the preparation and tender situations, he interviewed Mr. Mohd Nur Ismal Bin Mohamed Kamal, the Chief Executive Officer of Malaysia's Land Public Transport Commission (SPAD). Mr. Ismal generously answered the tender time schedule, competencies of Tenderers and expectation to this project.

Land Public Transport Commission (SPAD) has founded in June 2010. The chairman and CEO are directly appointed by Prime Minister Dato Sri Mohd Najib bin Abdul Razak. SPAD takes the responsibility of planning, control and execute the public transportation and management of Malaysia, including the proposed Malaysia-Singapore High-Speed Rail.

Abstract

Mr. Ismal expressed, the high-speed rail of China and Japan both have advantages and disadvantages. To Malaysia, safety is top priority. At the same time, total cost is also an important factor. In regards the tender, the most important is to provide a good proposal, including construction, cost and source of fund, all these are essential, as Malaysia will consider the overall value of the project, not just the construction cost. Malaysia needs a safe high-speed railway system that provides the maximum value. Saving on the construction does not mean saving on the life cycle cost.

The high-speed rail is Malaysia's economic transformation plan key projects

21cbh: The preparation of high-speed rail was attracted extensive attention in China. Malaysia Land Public Transport Commission (Land Public Transport Commission, SPAD) entrusted by the Malaysian government is responsible for the preparatory work for the early stage of the high-speed rail, this newspaper readers look forward to from you here to learn more about the horse high iron related issues.

Mr. Ismal: High-speed rail is an exciting project, we believe that the railway can bring many benefits to Malaysia. We see China opens the high-speed rail system, we are very surprised to the high-speed rail to China's economic and social development brings the conveniences.

21cbh: The high-speed rail project is a huge investment, the Malaysian public to the government is planning to build what expect and support this project? Whether people will be willing to own national construction high-speed rail?

Mr. Ismal: If we from the point of the entire social layers, from business leaders, businessmen to wage earners, they for the building of high-speed rail not only look forward to, and very excited. They think that the project will bring many benefits, because the shorter transport time will not only encourage people to travel, more to increase exchanges between the two places, and it will create more trade opportunities. For many multinational companies, more cohesive in Malaysia and Singapore will attract more investment. For the working class, the emergence of the project are also very useful to them, they also keenly awaited the resulting increase in wealth and job opportunities.

However, low-income groups are still not fully see the value of the project, we are trying to promote the project to the public.

21cbh: Malaysia in its national development planning, the paper puts forward to Malaysia in 2020 into the world's leading high-income countries, high-speed rail project is in the planning of this project? High-speed rail is completed will bring what kind of impact to Malaysia's social, economic?

Mr. Ismal: A few years ago, the government proposed the economic transformation plan, the plan put forward in 12 key areas of focus. Which one is to building Kuala Lumpur into one of the most dynamic cities in the world, not only rapid economic development, also has the very strong livability. In the economic content, there are a lot of projects have been identified, the two major projects is the traffic facilities construction projects. One is the MRT subway project (Mass Rapid Transit), namely the city fast orbit transportation system; another is high-speed rail. MRT is to serve the purpose of enhancing the transportation of Kuala Lumpur. And the high-speed rail system is to increase the convenience between Kuala Lumpur and South of Malaysia and that

with Singapore. Therefore, this railway will increase investment opportunities and technological innovations, in so far as for us to step up with the developed countries.

Hold the bidding is expected in mid of 2016

21cbh: At what stage did Malaysia and Singapore governments currently operate high-speed rail project?

Mr. Ismal: Prior to the start of construction, divided into two stages: the first stage is fully familiar with the cooperation of Malaysia and Singapore government which has carried out a feasibility analysis for two and a half years. Now in its second phase, the second phase has been divided into two parts, we need to reach a Malaysia/Singapore bilateral agreement on the first part, both parties will reach a consensus on the technical, safety, route plan, terminal location selection, and national security etc. The discussion is currently ongoing between the two governments.

We hope to reach a consensus in the third quarter of this year, and be able to progress to the second part of the second stage, which is the stage of preparation of tender documents.

21cbn: what time the project will be tendered?

Mr. Ismal: As I said earlier, we must first reach an agreement between Singapore and Kuala Lumpur, which is the basis of this project. Of course, the preparation of tender will also take part of the time, because the participating countries will need to understand the details, it will take about six months to a year. Therefore, we estimate that the bidding will be held on the middle of next year.

21cbn: As far as I know, SPAD will set up a company dedicated to the construction of high-speed rail service on the next step, when will the company be set up? What responsibilities are? what is the relationship with SPAD?

Mr. Ismal: The company will be led by the establishment of the Ministry of Finance, which is similar to MRT Company, in order to promote the construction and setting up of the project. The company will have a CEO, experts of high-speed rail and internationally renowned technical team to solve the problem of high-speed rail from security to operations. Daily convey information for high-speed rail construction projects. SPAD as the approval, management and supervision department of land public transport policy, which have to do, is to connect the regulatory agencies to assist them and to ensure the safety of high-speed rail projects and public usefulness.

21cbn: It is said that KL-S HSR will use PPP (Public Private Partnership) business model, what is the consideration of the Malaysian government? Is it because of financial considerations or because of foreign exchange reserves? Or this business model is more suitable for Malaysia?

Mr. Ismal: In fact, we have not finalized the project which will use the PPP model or built-design and owned by the Government, we currently need to wait for the final decision to determine

what model is best for the development of Malaysia. Both methods have advantages and disadvantages.

PPP model has its own advantages, mainly in their professionalism, because the choice in the relevant fields of expertise of the private sector has a strong business qualities can promote the high-speed rail project being finally successfully implemented, because the project must be ensured that, within budget, and serve the public in a safety, convenient way, we do not want to waste the huge investment on useless or poor quality projects, that's the main advantage of PPP models-the integration of various external professional.

As for the government-led design-build high-speed rail, have better control on the overall advantages of the project, the government will have certain expectations on the progress of this project, so we are still evolving. As for the relationship between the asset company and the operating company needs further analysis.

21cbn: The Media has a variety of claims about the KL-S HSR investment, such as \$ 15 billion, or \$ 12 billion, how much the KL-S HSR project will cost?

Mr. Ismal: Until now, we cannot publish the official budget, because we are still in the review stage, so it is best to wait for them to arrive at a specific number, we will then announced.

21cbn: The proposed KL-S HSR has a total length of 350 km, this high-speed rail construction will mainly have challenges from the which perspective of the works? Including geological and environmental.

Mr. Ismal: We have preliminary identified high-speed rail route plan, has not yet done a comprehensive project on the social and environmental impact survey, related investigations will be completed before the construction started. By then, we will adjust accordingly based on configuration. From the geological perspective, did encounter some challenges, such as the Kuala Lumpur railway section will be a lot more crowded, it is not very easy to find a suitable route; at the same time, we have to try to avoid the mountains, as well as the southern Malaysian soil grassroots are very soft and some other issues. So to find a balance of the geological conditions and the route is not easy, but we will try to find a most appropriate way.

21cbn: Malaysia is very focused on the environmental assessment on any project, is there any assumption on environmental assessment of KL-S HSR? For example, invite what kind of organization for the EIA? What are the requirements for contractor in the case of environmental agenda?

Mr. Ismal: Environmental protection indeed is our primary consideration. I think Malaysia has sufficient expertise to provide security for the protection of the environment; however, we may invite some experts as an independent party to do an independent environmental assessment.

China and Japan HSR technology have their own advantages

21cbn: Worldwide are concerned about the KL-S HSR. Chinese Foreign Minister Wang Yi at the Boao Forum for Asia held recently said: China "is willing to actively participate in the KL-S HSR project bidding." Then you know how many companies are interested in the tender of KL-S HSR project? What is the competitive situation like?

Mr. Ismal: First to make it clear, we are very pleased to see the positive attitude of the Chinese side, it is extremely important to deepen bilateral relations in Malaysia. However, we want to keep neutral as possible, the opportunity will be opened for qualified companies, no country has an absolute advantage or disadvantage in bidding, each country has an equal chance to win this subject. On the current situation, the Asian countries, China, Japan, South Korea are actively gathering relevant information; among European countries, Spain, Italy, France, Germany likewise concern the extent to which they are able to participate in this project.

21cbn: How many Chinese institutions or enterprises expressed their willingness to participate in the construction of this project? As far as I know, there are a lot of Chinese companies had discussion with you, in the face of Chinese companies had become a flood, are they overwhelmed you?

Mr. Ismal: Indeed, there are so many Chinese companies made a request.

21cbn: China's morphology was loose, after Malaysia proposed the proposal of establishment of the JV to Chinese companies. Currently, led by the China Railway Corporation, six companies from China (China Railway Construction Corporation Limited, China Communications Construction Company Ltd., CRR Corporation Limited, China Investment Corporation, and The Export-Import Bank of China) and Bank formed a JV to participate in the KL-S HSR project.

Mr. Ismal: Yes, we were recommending Chinese companies form a JV, because that may be more cohesive. Japan, for example, Japan JR Tokai Railway, East Japan, West Japan, Kyushu four companies jointly established the "International High Speed Rail Association," prior China, integrating its railways and technical resources.

21cbn: Recently, Japanese Prime Minister Shinzo Abe promotes Japan's Shinkansen in many countries. Japanese media consider that Shinkansen created the world's first-safety record, 50 years 0 death records, but hundred percent of safety has caused a high construction costs. The Chinese high-speed rail has a complete set of low-cost sales model and assisting strategic. Can you compare the Chinese Japanese high-speed rail in the technical and safety aspects of their strengths?

Mr. Ismal: Both China and Japan HSR have their own advantages and disadvantages. For Malaysia, the security is the first priority; at the same time, the total project cost must also be considered. I am referring to is not the initial cost of the project, it also includes the subsequent operation, maintenance and repair costs, etc; in addition to the implementation system of the project is also important to the examine standard. Therefore, we believe that the Chinese, Japanese HSR systems can better accomplish various criteria mentioned above.

21cbn: Have you ever tried Chinese HSR?

Mr. Ismal: Yes, I have tried the HSR from Zhuzhou to Guangzhou. I feel very good, very comfortable, very fast, but I have not tried Shanghai Maglev train.

21cbn: Compared with just over 3000 km high-speed rail in Japan, China has built 16,000 kilometers of high-speed rail network. Do you think this will be helpful for Chinese JV bidding for KL-S HSR project?

Mr. Ismal: The most important factor we consider is that a good bidding document, including engineering, costs and sources of funding, these things are very important because Malaysia should consider the overall value of the project as a whole, not just the construction cost. We need a HSR system that is safe and can offer the best value; the low cost at construction stage does not mean long-term savings. China's high-speed rail through continuous improvement, I believe that the advantages of this is the Chinese company plans to be able to mention in the bidding documents.

The winning bid will become an indicator for surrounding markets

21cbn: Now we see from the media that lots of Japanese companies JV contact with you, but Chinese enterprises or JV are rarely seen, can you please tell us about what works that Japanese companies JV have done?

Mr. Ismal: Japan not only promotes their Shinkansen system in Japan, they also promote to Malaysian media, while the Japanese media also joined in publicity, so this action does acknowledge Malaysia and enhance the public awareness for the Japanese Shinkansen system. This approach confirms their railway system is reliable. If China can do the same thing, let the public know the Chinese high-speed rail system that will be very beneficial.

Another benefit is that the KL-S HSR is not just a traffic engineering construction, but also the social and economic development projects. In Malaysia, we will set up seven stops, namely Kuala Lumpur, Putrajaya, Negeri Sembilan Seremban, Ayer Keroh Malacca, Johor Muar, Batu Pahat and Nusajaya, each stop contains a huge social and economic opportunity, such as special economic zones, industrial parks, R & D park, new towns, and so on. We know that many Chinese enterprises participate in the construction of the huge project of urbanization in Malaysia, these opportunities are very favorable for the developer of China, and we hope that these opportunities can be brought to these stops.

21cbn: In China, the high-speed rail has been called the "national identity", one of the Chinese concerns at the moment is "going out" of China's high-speed rail, I hope there are more people in the world can share the Chinese high-speed rail and advanced technologies. Japanese JV showing a posture to win the KL-S HSR project, even revealed the use of ODA funds to provide low-interest to KL-S HSR or even "zero interest rate" construction funds. How do you evaluate the cost of capital to Japan?

Mr. Ismal: The cost of capital is only one of many factors that we consider, as previously mentioned, the construction of this project must be beneficial for all parties, as to how important this fund price, I think this issue should also be aware of the Chinese government.

We have witnessed the three kinds of high-speed rail system, the European standard has the longest track, China, Japan, closely followed. Similarly, for the other markets, compared to India, Indonesia, the latecomer countries, I think the most practical high-speed rail market is in Malaysia. Therefore, the choice of what kind of system will have a demonstration effect for other markets, so the competition for the Chinese and Japanese enterprises have great significance for the future of the market because it conveys a signal, in which a country's system as a whole more competitive and attractive. This is our entire process to ensure openness, so that we can choose the best overall project, prompting all potential competitors to come up with their best programs, including technical, financial solutions, professionalism and potential investment programs and so on.

21cbn: In your observation, would this KL-S HSR competition will between Japan and China? Which country has more chance to win?

Mr. Ismal: We cannot say which country has more advantages solution. Of course, we see the importance of this project for China and Japan, the two countries have made unremitting efforts in order to come up with the best solution, we are very much welcome this competition.