

Govt Denies Ktmb-Rac Merger Plan

PUTRAJAYA will continue to finance debt-ridden Keretapi Tanah Melayu Bhd (KTMB), while working towards a better coordination between the country's railway operator and its assets' manager, Railway Assets Corp (RAC). Speaking to selected media outlets last week, Transport Minister Datuk Seri Dr Wee Ka Siong denied the proposed integration reported between KTMB and RAC, while acknowledging that KTMB relies heavily on government coffer.

Wee said, in response to *The Malaysian Reserve (TMR)* report last week, he is thoroughly considering the merger option to allow the nation's oldest railway company to be given the right to manage its assets, which were taken away by RAC some 30 years ago.

KTMB CEO Datuk Ir Kamarulzaman Zainal recently told *TMR* that a merger proposal was sent to the Ministry of Finance (MoF), KTMB's owner through MoF Inc, at the same time notifying the Ministry of Transport (MoT) on the proposal.

"There is no such deal being discussed between MoT and any of the agencies. It was just a mere opinion of one of the (KTMB) staff, it has nothing to do with MoT. "If this is MoT policy, I would be the first to inform the Cabinet," Wee said in a media interview in conjunction with his 100 days as Transport Minister since Perikatan Nasional took over Putrajaya in March.

The merger proposal entails reversing the separation of KTMB's assets done in 1992, which resulted in billions of its assets placed under RAC — a statutory body under MoT. The assets removal was part of KTMB's corporatisation exercise after the Railways Act 1991 took effect. Through the enactment, RAC oversees all KTMB's assets including tracks, stations, signalling, electrification, stations, depots, office buildings, staff quarters and major maintenance of rolling stocks. RAC also absorbed RM2.1 billion of KTMB's debt through the exercise, which is known as "vertical separation" in the rail industry.

To set a clear demarcation between the two parties, a 30-year Railway Network Access Agreement (RNAA) was established in 2016, including the leasing and payment terms for KTMB in using RAC assets. RAC also recommended the liberalisation of the railway, which allows multi-railway operators to run on its tracks. However, the enforcement of RNAA has been deferred until now as KTMB does not agree with the whole plan. At the same time, the railway operator continues to be in the red year-on-year.

"Yes, we understand KTMB is not making money. They are (instead) bleeding every day. The collection (of tickets) is insufficient, while RAC is managing all of the assets," Wee said. From 1992 until July last year, KTMB received RM1.46 billion in financial assistance from MoF. Findings by the second series

of the Auditor-General's Report 2018 stated that KTMB had an accumulated loss of RM2.83 billion as of Dec 31, 2018. It was also estimated that KTMB was pushed into the red again last year as its two main services recorded losses of between RM39.82 million and RM77.76 million from 2016 to July 2019. KTMB's main businesses are intercity train KTM Komuter, electric train service and cargo services, which contributed 96.8% of the company's total revenue, said the report.

In an interview with *TMR* last year, RAC GM Azhar Ahmad said the firm is in the middle of monetising its assets, mainly parcels of land parked under the corporation. Among the plans include mixed development and low-cost housing constructions nearby railway stations and selling off lands that are not viable to be developed by the corporation. Azhar said this will help the firm settle KTMB's RM2.1 billion debts, which it had absorbed in 1991. It was reported that RAC holds about 12,833ha of landbank in the country with 3,237ha of them are rails. In total, the assets and land are estimated to be worth around RM40 billion.

"Either it is KTMB or RAC, we want them to be sustainable," Wee said. "(If it works towards) better coordination, I agree because some of the cost needs to be borne by RAC like its railway corridor and the common area of services. Due to this, RAC is bound to be in control, which will reduce the cost of KTMB." "But it is not to the extent that we want to merge them, as reported," he added.

Wee said the government's financing for KTMB is also meant to support the company in fulfilling its social obligation to the needy. "We are committed to helping the B40 group with cheap fares at the expense of the government. For that, we must give more money to subsidise (KTMB operations). "It is a social responsibility. You cannot make money from public transportation, but we have our ways to assist," Wee concluded.