



MINISTRY OF TRANSPORT

MEDIA RELEASE MINISTRY OF TRANSPORT

OPERATING AGREEMENT BETWEEN THE GOVERNMENT OF MALAYSIA AND MALAYSIA AIRPORTS HOLDINGS BERHAD (MAHB) TO OPERATE, MANAGE, MAINTAIN AND DEVELOP 39 AIRPORTS AND AIRFIELDS (SHORT TAKE-OFF AND LANDING AIRPORTS - STOLPORTS) AND THE REBRANDING OF KLIA AND KLIA2

The Ministry of Transport would like to inform that the Cabinet on 2 February 2023 has in principle agreed to the new material terms of the Operating Agreement (OA 2023) between the Government of Malaysia and Malaysia Airports Holdings Berhad (MAHB) to operate, manage, maintain and develop 39 airports and airfields (Short Take-Off and Landing Airports-STOLports) in Malaysia for the period until 2069. Among the main terms and conditions of the OA2023 are as follows:

- (i) The Government and MAHB have the flexibility in the method of funding airport development costs either using Government allocations through Development Expenditure (DE) or MAHB through any suitable investment recovery model mechanism, subject to the mutual agreement of both parties with the weighted average cost of capital (WACC) to be determined only when a project will be implemented and subject to Government approval;
- (ii) the establishment of the Airport Development Fund (ADF), a development trust account under Section 9 of the Financial Procedures Act 1957 [Act 61], to receive contributions from airport users, the public and also airlines and does not involve contributions from Government funds;
- (iii) 50% of the Passenger Service Charge (PSC) component that is taken into account in the calculation of the User Fee will be channelled to the ADF trust account. The percentage of PSC or percentage of other components in the User Fee to be contributed to the ADF account will be reviewed every three years; and
- (iv) The Government has the right to restructure the airport industry through clustering, carving out, divestment of airports, closure of existing airports or terminals or the restructuring of the ownership of any of the facilities subject to the mutual agreement with MAHB.

The new material terms under the OA 2023 will enable the Government and MAHB to implement a more competitive commercial development plan and has the potential to





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enhance the government's income through revenue sharing derived from government-owned land that is developed by MAHB. MAHB will continue to be tasked with all aspects of the management and maintenance of the 17 STOLports which are a social responsibility of the government.

The implementation of the OA 2023 will also allow MAHB to prepare a better long-term development plan for all the airports under its purview, taking into consideration MAHB's expertise and experience in airport management whose performance and achievements have been commendable in Malaysia and abroad.

In addition, the implementation of the OA 2023 will allow MAHB to help reduce the Government's burden by taking over the development costs of competitive airports in the future. In this regard, MAHB can form collaborations with any interested party to invest in future airport developments.

The Government and MAHB will finalise and sign the OA 2023 and related Lease Agreements before the end of the first quarter of 2023.

Furthermore, the Cabinet also agreed to the proposal to rebrand KLIA and klia2 to KLIA Terminal 1 and KLIA Terminal 2 to improve their marketability value and effectiveness, in addition to strengthening competition with international airports in the region.

The proposal to sign the OA 2023 between the Government and MAHB, as well as the proposal to rebrand KLIA and klia2 are important for the commercial sustainability of KLIA and also growth of airports throughout the country. This implementation is expected to help boost the global competitiveness of the country's airport transport services and to revive the aviation sector for the benefit and well-being of the people in line with the aspirations of Malaysia MADANI.

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9 FEBRUARY, 2023

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About MOT:

The Ministry of Transport Malaysia is determined to be the leader of an integrated, efficient and secure transportation system by empowering technology-based transportation systems as the catalyst for national development.





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