

Riding the MRT project

The main hall of the Kuala Lumpur Convention Centre was filled to the brim and buzzing with excitement on the morning of July 8. The reason? The eagerly anticipated launch of the Klang Valley My Rapid Transit project, the largest public infrastructure project in Malaysia to date.

The 51km Sungai Buloh-Kajang line promises to significantly improve the urban public transport system by shortening travel time, lessening traffic jams and making journeys safer and more comfortable.

The economic benefits of the project are also clear — the creation of about 130,000 jobs and catalytic growth and income potential for commercial and residential developments in the vicinity of the mass rapid transit (MRT) stations. Equally important is the fact that the project is expected to catapult the Malaysian rail industry to world-class exporter status.

Malaysia did something similar in the early 1980s when it built the North-South Expressway. Renong Bhd, a small local public-listed company with little experience was given the lead contract to build the highway and other local players were invited to participate. The successful construction and management of the highway propelled domestic land-transport industry players such as UEM, PLUS and IJM to build other highways within Malaysia and in countries such as India. With a proven track record derived from the construction of local highways, these companies have become international players showcasing their expertise in other parts of the world.

Other countries have also used public infrastructure projects to build their domestic industry's capa-



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bility. Turkey and Canada have seen their companies Temsa and SNC Lavalin grow from participating in local public infrastructure projects to venturing into the international markets. The Istanbul MRT system was built entirely by Turkish companies.

The export market for urban public transport systems is expected to be huge. Imagine how many cities in Asia will have a population of more than two million by 2030? These cities will need urban transport if they are not to be gridlocked.

In Malaysia itself, Penang, Johor Baru and Ipoh are among those that will need urban public transport. The market is ready. Therefore, if Malaysia can leverage the MRT project, if we get our act together and do it right, this could be an important export earner.

To get it right means focusing on not only the hardware but also the software and human-ware. Developing the local rail industry has its challenges, uppermost of which are safety standards, as learnt by the Chinese recently. The rail crash in Wenzhou, which killed 40 and injured close to 200 people, shook public trust and investor confidence in China's capabilities in high-speed rail networks.

Did the Chinese rush to build the industry so that quality and safety measures took second place? Design defects, a faulty signalling system, technical glitches and power cuts that plague China's train system were said to be among the reasons for the crash. Adoption or development of reliable technology and its implementation should follow the most stringent standards.

Japan, on the other hand, has been running the famous Shinkansen (bullet train) for the past five decades without a single fatal accident. France's TGV

trains, arguably the fastest in the world, also have a similar record. (The TGV 2007 record for the fastest ride was overtaken by the Chinese CRH service Harmony Express on the Wuhan-Guangzhou high-speed railway in 2009.) Building high-speed rail capabilities is not an immediate priority for Malaysia but urban public transport certainly is. The present ability of the domestic rail industry in Malaysia is mixed. It has strengths in some areas while in others its capabilities have yet to be developed. For this reason, we should maximise areas where our strengths lie, give full support to expand our nascent capacity and take the opportunity to nurture new potential.

Malaysian companies are good at building physical infrastructure, such as civil structures and track works. For this part, we should expect full domestic participation. In areas where there is some domestic capacity but which could be substantially enhanced, such as rolling stock, Malaysian companies should be given assistance. In software, collaboration with foreign players is necessary to develop new capabilities and expertise, particularly in signalling and communication systems.

It is also important to recognise that building an industry is not only about hardware strength but also human capital. When engaging foreign participants, transfer of technology and training must be emphasised. There are local professionals and consultants whose expertise and skills can be enriched. These skills will be Malaysia's future wealth.

At the present time, local firms are handicapped when venturing into export markets because they lack a much-needed proven track record. Without it,

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local companies cannot even qualify to bid for jobs, let alone touch first base. This is why it is essential for the MRT project to be a platform for domestic companies to establish a performance track record.

Besides serving as an avenue for developing directly related activities, the MRT project can also be a catalyst for creating supporting industries. A good example is maintenance and repair operations (MRO). MRO for rolling stock, feeder buses and other machinery should be outsourced to companies that can develop economies of scale. With enough volume of business, these companies can offer high service quality and efficiency and morph into a full-fledged successful industry.

Bumiputera participation in the MRT project is another issue that has been raised and hotly debated. Equity in companies involved in this project may not be the most satisfactory way of ensuring bumiputera participation in Malaysia's largest infrastructure project.

It is not uncommon for foreign firms to look for bumiputera equity partners to participate. Many bumiputera companies and professionals have successfully constructed and built infrastructure projects. They have strong credentials. They should, on a competitive basis, be allocated a share in the construction of the MRT system and in related commercial developments. The end product — the best and most cost-effective MRT system — should be the result of the efforts of Malaysian, including bumiputera, and foreign companies.

The goal is for Malaysia's rail industry to build a complete end-to-end domestic rail facility of high international standards. This will not only boost the industry but also save on imports of services and goods when building rail systems in other parts of Malaysia in the future. This will allow Malaysian companies to produce rail-related products and services on an economic scale and at competitive prices, making them exceptional competitors in the international market.

The MRT project brings with it opportunities to expand the Malaysian economy in three overarching areas: strengthening domestic capacity, building export capability and generating spillover activities.

What is needed though are clear and strategically targeted policies that can be implemented effectively. What we have here is a great opportunity. It needs to be managed well to fully realise its potential. Building an industry and expertise takes perseverance, skill, vision and ethical drivers. Let us not pass up this opportunity. **E**

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