



Persatuan Pengguna Pulau Pinang Consumers Association of Penang

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Letter to Editor

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Withdraw RM6.2 billion MOF offer to Gamuda and other highway concessionaires

The Consumers' Association of Penang (CAP) calls on the Cabinet not to approve the RM 6.2 billion offer made by the Ministry of Finance to Gamuda, Littrak and other highway concessionaires to acquire four tolled highways. A committee of experts should be set up to find a solution to the much-criticised toll concessions, that will bring real benefits to the consumers and not burden the government with more debts.

In a trenchant analysis of the offer, a former investment and corporate strategy director Pankaj C. Kumar concluded: "For the concession holders, it's a windfall gain of RM2.82bil and effectively taking all their future profits upfront, without having to operate the assets over the remaining concession periods and the best part, tax-free, as there is no capital gains tax in Malaysia." The Cabinet should seriously study and consider the analysis and the result before making a decision on MOF's offer.

Our highway toll concessions have been criticised as favouring the concessionaires to make profits while burdening highway users with high tolls, and the government with having to pay billions of ringgit as compensation for not raising the tolls. In his reply to a question in Parliament, Works Minister Baru Bian stated that toll concessionaires have collected more than double the cost of constructing their highways from the start of their operations up to 2017.

The reason for the government acquiring the tolled highways is to put an end to these lopsided concessions in order to benefit the consumers and the government. MOF's offer does not meet this objective.

Under MOF's offer, the over one million highway users would enjoy a saving of RM 180 million per year which works out to less than 50 sen a day per user, not enough to buy a cup of coffee. Even after the acquisition, they have to pay a congestion charge during the 6 peak hours, equivalent to the maximum of the current toll rate.

On the other hand, the government is "over-paying the highway operators, especially for the LDP and SPRINT assets". Littrak's toll concessions are valued at about RM5.20 per share, way above its last traded price of RM4.21, and more than 40% higher than what it was trading at post GE14. The premium paid by the government to the toll concessionaires is approximately RM2.82 billion.

The government will also be burdened with increased debts. It has to raise RM 6.2 billion through issuing bonds and pay RM 220 million per annum as interest. According to Kumar, the government's already stretched debt to GDP ratio will be raised by another 0.4 percentage pts. The decline in traffic

flow in these highways, with increased use of public transport, will also lead to lower revenue and losses.

We call on the Cabinet to direct MOF to withdraw its offer and to set up a committee of economic strategists to make a comprehensive study of the problems associated with the toll concessions and to find a solution that would be beneficial to the rakyat and not burden the government with more debts. Fulfilling election manifesto pledges should not lead to windfall gains for the toll concessionaries, and increased financial burden for the government which ultimately will have to be borne by the *rakyat*.

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