

4.0 MALAYAN RAILWAY OR KERETAPI TANAH MELAYU (KTM)

4.1 Privatisation of KTM

The Malaysian Government has plans to privatize KTM with the formation of a government owned corporation as the likely first step. The Ministry of Transport has proposed that a company called Syarikat Keretapi Tanah Melayu be created with the following four divisions:

- i) Track and Operations
- ii) Freight
- iii) Passenger and
- iv) Workshop,

each of which would function as separate entities. According to the plan, the Freight and Passenger Divisions are to run the main operations under a contract arrangement with the Track Division. The Track Division would be regulated by the Ministry of Transport or an independent authority. A corporatised KTM would still be 100 per cent owned by the government, but would be operated on commercial lines guided by the profit motive. The new company has to be financially independent and generate its own revenue to sustain itself without relying on government grants for funds. However, at this time there is no schedule for implementation of the proposed corporation.

There is some concern that the private sector does not have the expertise to run a railway, a very specialised mode of transport. Industry sources believe that foreign parties which have experience in rail management may form consortiums with local firms which take up the offer to run KTM (Malaysian Business, May 1-15, 1989). The deciding factor is simply how lucrative is the return on investment. For KTM, there are big question marks on cost control and high staffing levels. Further, on the revenue side, more earnings depend on more capital investment to reduce travelling time and so compete with the road network which is being upgraded. For example, it is estimated that to cut the KL to Singapore travelling time to only 2 1/2 hours from the present 6 hours would require an investment of over C\$1.1 billion. This involves the purchase of faster trains, upgrading track and modernisation of the signalling and communications equipment.

4.2 KTM's Future Projects

In August 1989, KTM announced that it will spend M\$500 million (C\$217m) to lay double tracks for two heavily trafficked stretches between Kuala Lumpur and Port Klang and between Seremban and Rawang as depicted in Figure 2. The additional track is to allow KTM to expand its cargo and passenger services. The earliest by which construction could start on the tracks is late 1990, giving a completion date of late 1992 or early 1993. According to the Minister of Transport, the twin track system will eventually be implemented throughout the country with timing based on the financial position and traffic demand.