IDEAS
INSTITUTE FOR DEMOCRACY AND ECONOMIC AFFAIRS

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MEDIA STATEMENT

IDEAS seeks answers over repeated changes to ECRL project and calls for transparency

Kuala Lumpur, 07 April 2021 - The Institute for Democracy and Economic Affairs (IDEAS) expresses concerns around the frequency of changes in Malaysia's infrastructure development plans. Transport Minister Wee Ka Siong announced earlier this week that the East Coast Rail Link (ECRL) will once again undergo changes to its track alignment, with Section C of the track now to run along the northern side of the Klang Valley from Mentakab to Port Klang in Selangor, instead of the southern alignment as concluded in the previous changes made in 2019 by the Pakatan Harapan (PH) government.

Commenting on the recent announcement, IDEAS CEO, Tricia Yeoh highlighted several concerns over how political changes impact upon the nation's infrastructure developments. "This will be the second time this mega infrastructure project has undergone major changes to its scope. The unstable political landscape over the last few years has coincided with significant changes in the project's scope each time there is a new government in office. We have also seen changes to the Melaka Gateway and KL-Singapore HSR projects since the new government came to power last year."

The realignment will reportedly result in a higher cost of RM50 billion compared to the previous RM44 billion, even though the Ministry of Transport last year had indicated that the realignment would have the potential to lower project costs. The first round of negotiations under the PH government had resulted in a reduction of RM21.5 billion and in significant realignments including the now contested Section C portion.

At the time, these renegotiations were initiated as a cost-saving exercise as 85% of the project costs were being funded through a loan from the Export-Import (EXIM) Bank of China, which has a 3.25% interest rate and seven-year repayment moratorium. Although the Transport Minister has argued that the prior revised costs under the PH administration had excluded certain other expenditures, IDEAS stresses that the conflicting information coming out concerning the ECRL project points to the need for greater transparency.

Yeoh added, "It has not been made clear to the public how the new project costs will impact upon the total amount and conditionalities of the loan from EXIM Bank. The government must disclose the impact to the total amount of the loan, interest rate and other conditionalities in order for the public to assess the financial feasibility of the project and its implications for public debt. IDEAS already projects Malaysia's debt-to-GDP ratio to increase to 58% this year. This transparency is key to ensure accountability and efficient use of public funds."

"The government also needs to make sure that the decisions made around the project are a result of deliberations based on achieving value for money and high-quality service delivery, and not subject to a political agenda", she stressed. The new alignment, deemed the 'ECRL 3.0', will run through at least five parliamentary constituencies including Hulu Selangor (P94), Kapar (P109), Selayang (P97), Klang (P110), and Bentong (P89), that were all heavily contested and lost by MCA or MIC during the the 12th and 13th General Elections.

"Lastly, there is a serious lack of coordination between federal and state governments in the process. As reported by the media, Selangor state executive councillor, Datuk Teng Chang Khim, had responded to the announcement by stating that the state government had not been engaged by the federal government prior to changes being made to the track alignment. Under Section 20A of the Town and Country Planning Act, the state exco's approval is required due to the massive land acquisitions in Selangor that will be required for the project construction. News reports also suggest that the Selangor state government has completed the preliminary works required for land acquisition for the southern alignment under the 'ECRL 2.0'. Since these incurred costs are unrecoverable, the proposed changes would demonstrate a dire lack of planning and fiscal prudence from the government in the use of public resources."

Assessing the ECRL against international standards for transparency shows that the project lacks the proactive disclosure of key information and documents within the preparation, procurement and implementation stages of the project life cycle. For comparison, countries such as Thailand, which has actively adopted the standards under the Construction Sector Transparency Initiative (CoST) since 2015, has seen enhanced public engagement in public infrastructure. This has led to greater accountability from decision makers, improved industry confidence, reduced risks of corruption, and ultimately better project outcomes. The Malaysian government should move to adopt these standards of transparency in an effort to improve infrastructure project management.

Yeoh concluded, saying that "Malaysia needs to have a more systematic and independent process for planning and evaluating projects based on their economic need and return for investment. These decisions should also be supported by the publication of comprehensive feasibility studies, contract details, and environmental and social impacts assessments, which should be proactively disclosed to the public as part of a robust assurance process. Ensuring this stability and transparency is key in fostering a healthy business environment for investors."

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About IDEAS
The Institute for Democracy and Economic Affairs (IDEAS) is a nonprofit research institute, dedicated to promoting solutions to public policy challenges, focussing on three overarching missions – advancing a competitive economy, ensuring trust in institutions and promoting an inclusive Malaysia. IDEAS is Malaysia's first independent think tank, free of personal interests and partisan influences. For more information, visit www.ideas.org.my.

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