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MEDIA RELEASE
MINISTRY OF FINANCE MALAYSIA

The Acquisition Of 4 Tolled Highways Represents The First Steps In Reducing The Burden Of Highway Users And Fulfilling Pakatan Harapan's Promise

On 23 February 2019, YAB Prime Minister Tun Dr Mahathir Mohamad announced the proposed acquisition of four highway concessions in which Gamuda Berhad (Gamuda) has a significant stake. The four highways involved are Lebuhraya Damansara Puchong (LDP), Sistem Penyuraian Trafik KL Barat (SPRINT), Lebuhraya Shah Alam (KESAS) and SMART Tunnel (SMART).

As a result of negotiations with Gamuda, MOF is pleased to announce that offer letters have been formally handed over to the four concessionaires on 21 June 2019 with the enterprise value offer prices as below:

Highway	Offer Price
LDP	RM2,470 million
SPRINT	RM1,984 million
KESAS	RM1,377 million
SMART	RM369 million
Total	RM6,200 million

The completion of this offer is subject to due diligence, the requisite shareholders' and creditors' approval for each concessionaire and the final approval by the Cabinet.

If the acquisition process of these highways is successful, the Government will acquire the highway concessionaires on 31 December 2019 through a special purpose vehicle (SPV) wholly-owned by the Minister of Finance (Incorporated).

The acquisition of these 4 tolled highways represents the first steps in reducing the burden of highway users and fulfilling Pakatan Harapan's promise.

Savings of RM180 million per annum for commuters

Under the new congestion charge system that was previously announced, commuters using these four highways will save as much as RM180 million per annum, and these savings will go straight into the disposable income of Malaysian households.

The congestion charge model follows a variable pricing structure which depends on the time of the day. In principle, the Government will give discounts of up to 30% for hours outside of peak periods and free travel during off-peak periods. In addition, the maximum congestion charge will be capped at the current toll rate in order to not cause further burden to the commuters. The final structure of the congestion charge will be studied and refined in further detail before being implemented on 1 January 2020.

Savings of RM5.3 billion in compensation to toll concessionaires

In addition, the acquisition of these four highways will also directly save taxpayers from having to pay compensations of more than RM5.3 billion to toll concessionaires in order to freeze toll rate hikes until the end of the respective concession periods. The Government will no longer require to pay such compensations after acquiring these four highways.

These figures directly prove that the highway toll concession model under the Barisan Nasional government had only profited private concessionaires and did not prioritise the people's best interest.

No financial burden for the Government

The Government had negotiated earnestly with the concessionaires to make a fair acquisition offer such that it not only maximises the returns for the people, and not result in any financial burden for the Government at the same time.

The SPV will finance the offer of RM6.2 billion by way of bond issuance. The collection of congestion charge will be sufficient to service the debt, as well as to finance the operation and maintenance costs of the highways without requiring additional budget allocation by MOF. In other words, the acquisition cost will be self-financing through the collection of congestion charge and will not require any government expenditure.

First steps

As a percentage of the urban toll roads market (which excludes the PLUS group), the market share of these four highways based on the toll revenue collected is around 48%. This represents a significant share of the intra- city highways and indicates the Government's seriousness and commitment to fulfil our election manifesto. If this acquisition model is successful, then the Government will apply the same model to acquire the concessions of other tolled highways in the future, including inter-city highways.

In conclusion, the acquisition offer for these highways is a win-win-win solution for all involved:

1. the Government / taxpayers save RM5.3 billion in compensation to the toll concessionaires to continue freezing toll rate hikes;
2. commuters save up to RM180 million per annum with reduced traffic jam during peak hours; and
3. any surplus collection goes towards financing the upgrade and maintenance of our public transport system

Sayangi Malaysiaku!

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Minister of Finance
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