

## INFORMATION PAPER:

### Rebranding from toll to congestion charges on highways.

by Yvonne Khor

1. In February 23<sup>rd</sup>, 2019 Prime Minister's Office (PMO) statement announced Pakatan Harapan (PH) government on negotiations with Gamuda Berhad to take over four intra-city highway concessioners. The four intra-city highways are Lebuhraya Damansara-Puchong (LDP), Sistem Penyuaraan Trafik KL Barat (SPRINT), Lebuhraya Shah Alam (KESAS) and the Stormwater Management and Road Tunnel (SMART Tunnel). Furthermore, PMO statement also mentioned that the current four intra-city highway tolls system will be substituted with collection charges system and differentiated based on the time slots.

Intracity Highways	Current toll rate for class 1 vehicles	Proposal collection charges after acquisition by government
LDP	RM2.10	<ul style="list-style-type: none"> <li>- <b>Peak hour (6 hours): Traffic Jam Fees</b></li> <li>- Normal hour (6 hours): 30% discount based on current toll rates</li> <li>- Off-peak hour (12 hours/11pm-5am): Free</li> </ul>
SPRINT	RM2.00-RM3.00	
KESAS	RM2.00	
SMART Tunnel	RM3.00	

Source: Press Statement: Proposed Acquisition of Tolloed Highways by Prime Minister's Office, 23 February 2019.

2. The statement also stated the revenues from traffic jam fees would be used by government to maintenance the highways and debt repayments while the extra collections would be channelled into public transport improvement initiatives. The proposal by government to take over highways tolls raised several questions which have not been clearly explained by Ministry of Finance (MOF). The implementation of new traffic jam fees seems as contradicting to what PH has promised in their election manifesto which was supposed to abolish all tolls collection.

## What has the government done?

3. In parliament session August last year, Ministry of Work (KKR) explained that cabinet appointed Ernst and Young as the independent auditor in January 2019 to review all toll concessioners matters in Malaysia and KPMG represent Malaysia Highway Authority. Objective of the review was to make recommendations for PH government to abolish or reduce toll rates. KKR also revealed that PH government would be needed to compensate highways concessioners about RM400 billion for abolishing all tolled highways.
4. In order to ease the burden of cost of living in Malaysia, MOF announced to halt toll rates increment on all intra-city highways under the Budget 2019. Besides, terminated tolls collection for motorcycles at the First and Second Penang Bridges, and the Second Link in Johor begun January this year.

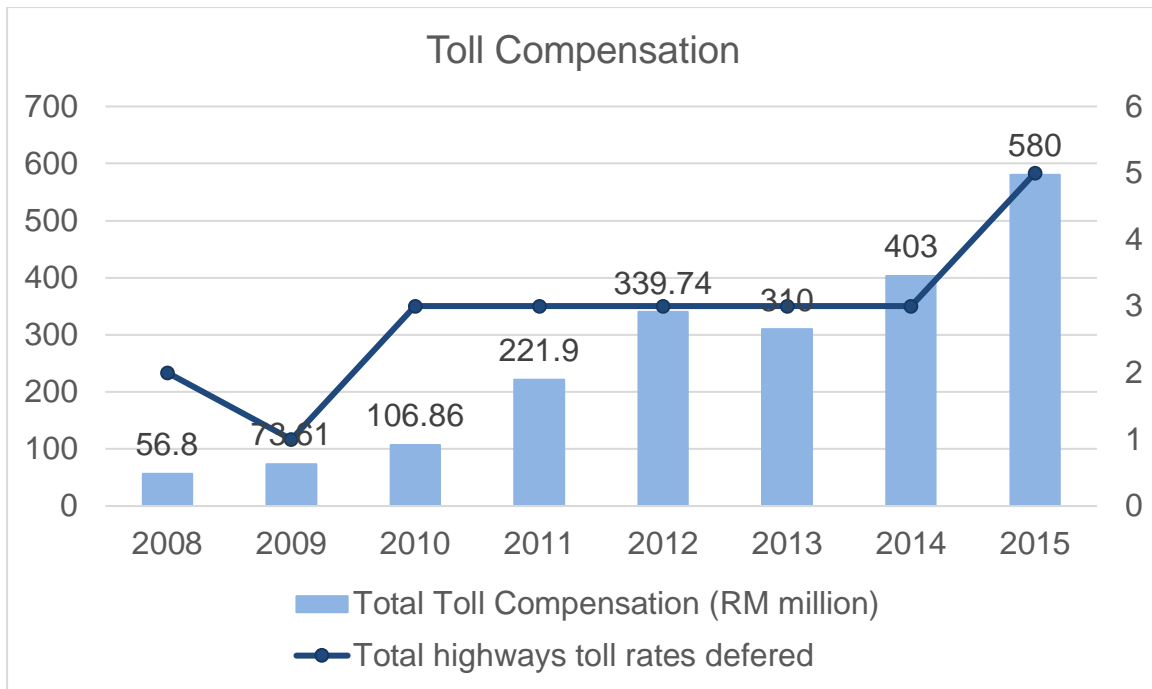
No.	Details on the toll hike freeze under the 2019 Budget Initiatives	Estimate Compensation (RM million)
1.	involved all class vehicles for <i>21 highways</i> <ul style="list-style-type: none"> <li>• North-South Expressway,</li> <li>• Malaysia-Singapore Second Link</li> <li>• Shah Alam Expressway (KESAS)</li> <li>• North-South Expressway Central Link (ELITE)</li> <li>• East Coast Expressway Phase 1</li> <li>• Besraya Expressway</li> <li>• New Pantai Expressway (NPE)</li> <li>• Damansara-Puchong Expressway (LDP),</li> <li>• Ampang-Kuala Lumpur Elevated Highway (AKLEH)</li> <li>• Butterworth-Kulim Expressway (BKE)</li> <li>• Duta-Ulu Klang Expressway (DUKE)</li> <li>• Maju Expressway (MEX)</li> <li>• Kajang-Seremban Highway (LEKAS)</li> <li>• Senai-Desaru Expressway (SDE)</li> <li>• Sprint Expressway</li> <li>• South Klang Valley Expressway (SKVE)</li> <li>• Seremban-Port Dickson Highway (SPDH)</li> </ul>	972.75

	<ul style="list-style-type: none"> <li>Lebuhraya New North Klang Straits Bypass (NNKSB)</li> <li>Guthrie Corridor Expressway (GCE)</li> <li>Sultan Abdul Halim Mu'adzam Shah Bridge (2<sup>nd</sup> Penang Bridge)</li> <li>SMART tunnel</li> </ul>	
2.	involved Class 5 vehicles (buses) for <i>8 highways</i> <ul style="list-style-type: none"> <li>Cheras-Kajang Expressway (CKE)</li> <li>Kuala Lumpur-Karak Expressway (KLK)</li> <li>Kemuning-Shah Alam Highway (LKSA)</li> <li>Butterworth Outer Ring Road (BORR)</li> <li>Kajang Dispersal Link Expressway (SILK)</li> <li>Kuala Lumpur-Kuala Selangor Expressway (LATAR)</li> <li>New Pantai Expressway (NPE)</li> <li>Sprint Expressway</li> </ul>	1.68
<b>No.</b>	<b>Details on the toll abolishment under the 2019 Budget Initiatives</b>	<b>Estimate Compensation (RM million)</b>
3.	involved motorcycle lanes at <ul style="list-style-type: none"> <li>Penang Bridge</li> <li>Sultan Abdul Halim Mu'adzam Bridge (2<sup>nd</sup> Penang Bridge)</li> <li>Malaysia-Singapore Second Link</li> </ul>	20.0
<b>Total</b>		<b>RM 994.43</b>

Source: Kenyataan Media: Pembekuan kenaikan kadar tol lebuhraya di seluruh negara oleh Kementerian Kewangan, 27 Disember 2018.

### What are the initiatives Pre-GE14 on tolled highways?

- The process of nationalization toll rates started since 2008, when Barisan Nasional (BN) has postponed the increase of toll-rate through compensated all the 29 highway concessioners and some highway concessioner's agreement was revised to extend the concessions period. Toll compensation from period of 2008 to 2015 that involved 16 highways and total estimated compensation paid was RM2,091.91million.



Source: Ministry of Work (KKR), 2015.

6. Since 2008 also, Plus Expressways for instance one of the highways toll rates yet to increase. Most of Plus Expressways Berhad concessions were revised in 2011 extended until year 2038.

No.	Highways & Concessions Co.	Length of Highways (KM)	Concession begin	Concession end	Balance of Concession Period From 2018 (Year)
1	<b>Lebuhraya Utara Selatan (E1)</b> PLUS Expressway Berhad	823.00	31 May 1988	31 May 2038	20
2	<b>Laluan Kedua Malaysia Singapura (LINKEDUA) (E3)</b> PLUS Expressway Berhad	47.00	27 Jul 1993	31 Dec 2038	20
3	<b>Jambatan Pulau Pinang (E36)</b> PLUS Expressway Berhad	17.40	1 Sept 1993	31 May 2038	20
4	<b>Lebuhraya Utara Selatan Hubungan Tengah (ELITE) (E6)</b> PLUS Expressway Berhad	63.00	1 Apr 1994	31 May 2030	12
5	<b>Lebuhraya Butterworth-Kulim (E15)</b> PLUS Expressway Berhad	17.80	1 Jun 1994	1 Jun 2038	20
6	<b>Lebuhraya Seremban-P. Dickson (SPDH) (E29)</b> PLUS Expressway Berhad	22.80	7 Jan 1995	31 Dec 2038	20

Source: Ministry of Work (KKR), 2018.

7. In the meantime, annual budget revealed that either the current or the former governments still need to allocate budget for toll compensation to deter any toll rates hikes and extra allocation to take over any highways in the country. The following details further showed PH government has to pay RM994.43 million in 2019 for freeze the toll rates hike besides acquisition plan on the four highways. In 2018, BN government needs allocated total of RM3.97 billion for postponing the toll rates increased and abolished four highways toll collections in three states.

8.

Budget	Details ( <i>Bekalan/Pembangunan 27</i> )		Total allocation
2019	<i>Budget Announcement</i> , <ul style="list-style-type: none"> <li>freeze toll hikes on all intra-city tolls around the country for 2019</li> <li>abolish toll for motorcycles for the 1<sup>st</sup> &amp; 2<sup>nd</sup> Penang Bridge &amp; the 2<sup>nd</sup> Link in Johor</li> </ul>	RM994.43 million	RM994.43 million
	<i>Bekalan No. 051700</i> : Toll Compensation	0	
2018	<i>Budget Announcement</i> , Abolish toll collections starting from 1 January 2018 at <ul style="list-style-type: none"> <li>Batu Tiga, Selangor</li> <li>Sungai Rasau, Selangor</li> <li>Bukit Kayu Hitam, Kedah</li> <li>Eastern Dispersal Link, Johor</li> </ul>	RM3.52 billion	RM3.97 billion
	<i>Bekalan No. 051700</i> : Toll Compensation	RM448.0 million	
2017	<i>Budget Announcement</i>	0	0
	<i>Bekalan No. 051700</i> : Toll Compensation	0	
2016	<i>Budget Announcement</i> Construction of Pan-Borneo Highway (PBH)—toll free	RM28.9 billion	RM29.5 billion
	<i>Bekalan No. 080100</i> : Toll Compensation	RM593.32 million	
2015	<i>Budget Announcement</i>	0	RM458.69 million
	<i>Bekalan No. 070100</i> : Toll Compensation	RM458.69 million	

Source: Ministry of Work (KKR) & Ministry of Finance (MOF) & The Edge, The Sun Daily, various year

## Comments & talking points

9. The issues of tolls always been politicized in every general election as well as the 14<sup>th</sup> General Elections (GE14). However, PH picked the populist move and promised further in its GE14 manifesto to abolish highway tolls. Compared to BN manifesto which seem the approach less popular but more realistic. BN pledged to improve and upgrades Federal roads as alternative to toll highways.

### 14<sup>th</sup> General Elections (GE14) Manifesto

#### **Pakatan Harapan (PH)**

The Pakatan Harapan Government will review all highway concession agreements. We will renegotiate to obtain the best value for money for the people so that we can take over the concessions with the ultimate view of abolishing tolls gradually. We believe that infrastructure like roads and highways are the responsibility of the government for the people.

Source: Promise 6: Abolish Toll, pg. 26

#### **Barisan Nasional (BN)**



Source: BN manifesto, pg. 183

BN proposal to use Federal roads as alternative to highway more realistic because most of the Federal roads actually inter-connect which similar to toll highways route. For example, Lebuhraya Damansara-Puchong (LDP) which linked up the major township Damansara and Puchong. While alternative Federal roads to both townships will be Federal Highways despite of distance and time travel.

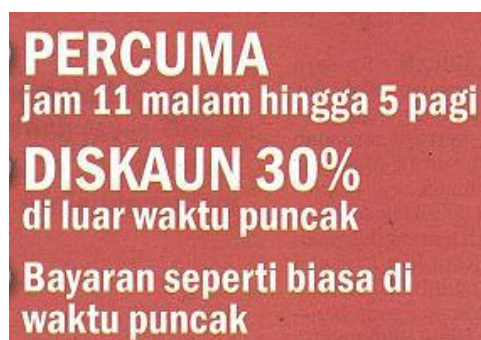
10. The current government need to clearly explain their acquisition plan on the four highways because this matter related to government spending on taxpayer money. It is impractical currently for government to impose congestion fees on highways users while at the same time to spent a vast amount of taxpayers' money to take over the highways. Public Private Partnership Units (UKAS), PMO and Ernst & Young 2009 studies stated that the implication of nationalization under the BN government will be gave significant burden to the government fiscal finances.

Based on the same review, the current government expected to pay upfront cost to take over the current four highways and balanced repayment with the congestion fees collections through monthly instalment as well as future recurring cost (road maintenance cost). The takeover plan with upfront payment and instalment later could be more feasible for the current government due to current financial situation or national debt situation.

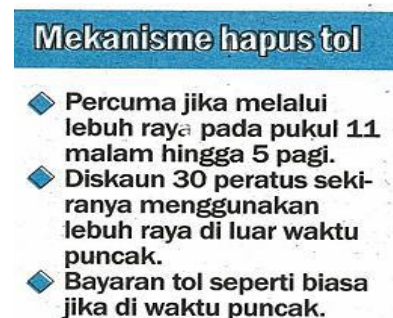
In February 23<sup>rd</sup>, 2019 press statement from PM's office further revealed that congestion fees will be allocated to future recurring cost and debt repayment. It is to believe that the current government plan to replace the four highway concessioners to collect congestion fees instead of toll charges that collected direct by highway concessioners. Therefore, the toll acquisition plan will just another rebranding name of toll charges.

11. MOF also never explain the period or duration (non-expiry) on the congestion fees and rates which going to enforce after the highway's takeover by government. Non-expiry traffic jam fees will be seen as another form of tax instrument by the current government on the road users besides annual road tax collected by Road Transport Department Malaysia. What is reason to implement another form of tax instrument when concessions on the four highways will be ended within 5 to 24 years and road consumers will enjoy free of charge highways.

The current government also yet to decide the congestion fees after the acquisition by government. Suara Keadilan disclosed that congestion fees will be maintaining or similar with the current toll rates. Therefore, only specific and smaller group of road users will be benefit from the discount and free of charge when most of the majority road users still charge with the same rate under the congestion fees. How would this help to ease the cost of living among Malaysians?



Source: Suara Keadilan, 27 February 2019



12. There was no clear mentioned on which ministry or government or state agencies will be entrusted to manage the congestion fund. If congestion fees collection was mean for road maintenance. The fund should fall under the responsibility Ministry of Work (KKR). However, KKR do not granted any power to collect any form of taxes. While, the fund collection could be by Ministry of Housing and Local Government (KPKT) because it's a fee that to divert traffic flow between Selangor and city centre.

However, MOF might be the administrator to the congestion fees if this fund considered as tax.

13. One out of the four highway concessioners' SMART tunnel experiencing loss while LDP, SPRINT and KESAS highway concessioners are making profits. Through buying over and replacing Gamuda ownership in the four highways. Basically, all the four highways are fully government own. Yet, government still continue to impose certain form of toll charge on road users.

Highways	Shareholder Details	Concession		Balance of Concession Period From 2018 (Year)	Performance (Profit/Loss)
		Begin	End		
<b>KESAS</b>	KESAS Sdn Bhd <ul style="list-style-type: none"> <li>Gamuda: 70%</li> <li>Perbandanan Kemajuan Negeri Selangor (PKNS): 30%</li> </ul>	19 Nov 1993	18 Aug 2023	5	RM153 million profit in 2018
<b>LDP</b>	LITRAK Bhd <ul style="list-style-type: none"> <li>Gamuda: 43.6%</li> <li>PNB: 18.8%</li> <li>Public Mutuall Bhd: 8.14%</li> <li>EPF: 5.76%</li> <li>Lembaga Tabung Haji: 3.17%</li> </ul>	15 Aug 1996	14 Apr 2030	12	RM221 million profit in 2017 RM229 million profit in 2018
<b>SPRINT</b>	SPRINT Sdn Bhd <ul style="list-style-type: none"> <li>Gamuda: 30%</li> <li>LITRAK: 50%</li> <li>Kumpulan Perangsang Selangor (Selangor GLC): 20%</li> </ul>	15 Dec 1998	15 Dec 2031	13	RM55.1 million profit in 2017
<b>SMART</b>	SMART Sdn Bhd <ul style="list-style-type: none"> <li>Gamuda: 50%</li> <li>Anglo-Oriental (Annuities) Sdn Bhd subsidiary to MMC Corporation Bhd (Syed Mohktar): 50%</li> </ul>	1 Jan 2003	31 Dec 2042	24	RM205.2 million loss in 2017

Source: KESAS Sdn Bhd, LITRAK Bhd, SPRINT Sdn Bhd & SMART Tunnel Sdn Bhd Annual Report various year.

14. One step further on the toll issues, the current government needs to transparent on current acquisition plan for four highways and the next for the balanced 25



highways in future. More toll rates increase is expected until 2030s including PLUS and East Coast Highway due to concession extension made in the past.

15. A similar suggestion was proposed by Kuala Lumpur City Hall (DBKL) in 2016 where DBKL wished to impose congestion charges. The same reason was given by the DBKL that this policy will discourage people from using private cars in the city centre to reduce traffic congestion. The proposal received negative public feedbacks that such policy should only be implemented after Klang Valley equipped with integrate and efficient public transport system. Otherwise, the current government need to conduct an in-depth feasibility study to support this policy implementation when Malaysia people heavily depending private vehicle to travel Klang Valley areas.

**INSAP**

15 March 2019

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No.	Highways & Concessions Co.	Length of Highways (KM)	Concession begin	Concession end	Balance of Concession Period From 2018 (Year)
1	Lebuhraya Utara Selatan (E1) PLUS Expressway Berhad	823.00	31 May 1988	31 May 2038	20
2	Laluan Kedua Malaysia Singapura (LINKEDUA) (E3) PLUS Expressway Berhad	47.00	27 Jul 1993	31 Dec 2038	20
3	Jambatan Pulau Pinang (E36) PLUS Expressway Berhad	17.40	1 Sept 1993	31 May 2038	20
4	Lebuhraya Shah Alam (E5) KESAS Sdn. Bhd.	34.30	19 Nov 1993	18 Aug 2023	5
5	Lebuhraya Utara Selatan Hubungan Tengah (ELITE) (E6) PLUS Expressway Berhad	63.00	1 Apr 1994	31 May 2030	12
6	Lebuhraya Butterworth-Kulim (E15) PLUS Expressway Berhad	17.80	1 Jun 1994	1 Jun 2038	20
7	Lebuhraya KL-Karak (E8) Anih Bhd	60.00	28 Jul 1994	27 Jul 2032	14
8	Lebuhraya Seremban-P. Dickson (SPDH) (E29) PLUS Expressway Berhad	22.80	7 Jan 1995	31 Dec 2038	20
9	Lebuhraya Cheras-Kajang (E7) Grand Saga Sdn. Bhd	11.50	19 Sept 1995	18 Sept 2045	27
10	Lebuhraya Tingkat Ampang-KL (E12) Projek Lintasan Kota Sdn. Bhd	7.40	16 May 1996	15 May 2029	11
11	Lebuhraya Sungai Besi (E9) BESRAYA (M) Sdn. Bhd.	28.20	15 Aug 1996	15 May 2040	22
12	Lebuhraya Damansara-Puchong (E11) Lingkaran Trans Kota Sdn. Bhd.	40.00	15 Aug 1996	14 Apr 2030	12
13	Lebuhraya Baru Pantai (NPE) (E10) New Pantai Expressway Shn. Bhd	19.60	12 Sept 1996	11 Mar 2030	12
14	Lebuhraya Kajang-Seremban (E21) LEKAS Sdn. Bhd	44.30	10 Jul 1997	7 May 2039	21
15	Lebuhraya Lingkaran Luar Butterworth (LLB) (E17) Lingkrans Luar Butterworth (Penang) Sdn. Bhd	18.93	5 Feb 1998	4 Feb 2028	10
16	Lebuhraya Skim Penyuraian Trafik KL-Barat (E23) SPRINT Sdn. Bhd	26.00	15 Dec 1998	15 Dec 2031	13
17	Lebuhraya Shah Alam-Kuang (GCE) (E35) PROLINTAS Expressway	25.00	1 Aug 2001	31 Jul 2033	15

	Sdn Bhd.				
18	<b>Lebuhraya Lingkaran Kajang (SILK) (E18)</b> Sistem Lebuhraya Lingkaran Kajang Sdn. Bhd	37.00	1 Aug 2001	31 Jul 2037	19
19	<b>Lebuhraya SMART (E38)</b> Syarikat Mengurus Air & Terowong Sdn. Bhd.	7.50	1 Jan 2003	31 Dec 2042	24
20	<b>Lebuhraya KL-Putrajaya (E20)</b> Maju Expressway Sdn. Bhd	26.00	6 Dec 2004	5 Dec 2045	27
21	<b>Lebuhraya Pantai Timur (Fasa 1) (E8)</b> Anih Bhd	171.10	1 Jan 2005	31 Dec 2032	14
22	<b>Lebuhraya Senai-Desaru (E22)</b> Senai-Desaru Expressway Berhad	77.00	18 Jul 2005	17 Jul 2053	35
23	<b>Lebuhraya Duta-Ulu Klang (E33)</b> Konsortium Lebuhraya Utara-Timur (KL) Sdn. Bhd	30.70	11 Aug 2005	10 Aug 2059	41
24	<b>Lebuhraya Lembah Klang Selatan (E26)</b> SKVE Holding Sdn. Bhd	53.00	21 Nov 2006	20 Nov 2047	29
25	<b>Lebuhraya Pantai Timur (Fasa 2) (E8)</b> LPT2 Bhd.	183.38	15 Jul 2016	15 Jul 2034	16
26	<b>Lebuhraya Kemuning-Shah Alam (LKSA) (E13)</b> Projek Lintasan Shah Alam Sdn Bhd	14.70	1 Aug 2007	31 Jul 2047	29
27	<b>Lebuhraya KL-Kuala Selangor (E25)</b> KLKS Sdn Bhd	33.00	28 Oct 2008	27 Oct 2048	30
28	<b>Jambatan Sultan Abdul Halim Muadzam Shah (E28)</b> Jambatan Kedua Sdn Bhd	24.00	12 May 2011	7 Nov 2053	35
29	<b>Lebuhraya Pintas Baru Selat Klang Utara (NNKSB) (E30)</b> Grand Sepadu (NK) Sdn Bhd	17.50	22 Dec 2014	21 Dec 2032	14

Source: Ministry of Work (KKR), DR (M2 P1) 15 Oct-11 Dec 2018 no.159