

Malaysia: to HSR or not to HSR

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Malaysia's new Prime Minister Mahathir Mohamad's pledge to review all foreign contracts and projects has those involved in the Kuala Lumpur-Singapore High Speed Rail (KL-SG HSR) project resigned to yet another delay. But the market remains optimistic that the deal will be approved, and the wait will be rewarded with a more transparent tender process.

The opposition won a widely unexpected victory on 9 May (2018). Many analysts have attributed the upset, driven by high voter turnout, to anger at the perceived corruption of defeated Najib Razak's government – including of infrastructure procurement, as well as the state infrastructure development fund 1Malaysia Development Berhad (1MDB) scandal.

In response, Mahathir – who took over as prime minister two days after the election – promptly ordered a review of all foreign contracts, including the KL-SG HSR.

“With regard to all those contracts, we will review them to see how they favour us,” he said at a press conference.

The \$15 billion KL-SG HSR project is the region's flagship infrastructure venture but has been delayed repeatedly since it was first floated back in September 2010, with the goal of opening the railway by 2020.

Market sounding started in 2015, but Najib and Singapore's Prime Minister Lee Hsien Loong only signed the [binding bilateral agreement](#) in December 2016.

Since then, the project has moved along at a slow but steady pace, with various parties being appointed to the tender and bidders emerging. The assets company tender was launched on 29 June (2018) before being pushed [back to 28 December](#).

A list of the consultants and bidders compiled by *IJGlobal* can be seen [here](#).

Determined optimism

The news that the railway is facing further delays have been met not only with resignation by the infrastructure market in Singapore, but also with determined optimism that Mahathir will not cancel the project.

One reason is that Mahathir has not signalled he would cancel the KL-SG HSR, but rather review its viability.

“We have to know whether we really need this HSR or not,” he said in an interview with the local press in January 2017. “We need to do a study whether it is feasible or not because we don't have the money and we have to borrow money, and that is not something the government can bear at this moment.”

But he has also indicated in the interview the HSR could even be extended up the east coast to Penang.

“All these things need to be studied carefully and to know what would be the returns on the investment. We accept that we will lose money at first but how much over how long a period,” he said.

As a result, many are confident that the project will proceed once the new Malaysian government has reviewed the terms.

“The terms are very advantageous to Malaysia. The new government just needs some time to review the terms before approving it and moving forward,” a partner at one international law firm advising one of the bidders told *IJGlobal*. “It’s a question of when, rather than if.”

Which appears to be the consensus in Singapore, although no one was willing to tempt fate by suggesting a date or timeline when Mahathir would approve it anew.

Another silver lining, despite the delay, is that the process should be transparent under the new government, several sources told *IJGlobal*. Despite the open tender, many had been concerned that Najib was inclined to award the project to the Chinese, which had helped bail out the scandal-plagued 1MDB.

The fate of the M\$55 billion (\$13.9 billion) East Coast Rail Link appears bleaker, however. Several senior advisers to Mahathir have been telling the Malaysian press over the past week (May 2018) the railway is likely to be cancelled.

Construction has already started on the railway, which [has been marred by controversy](#) after the term sheet with the China Communications Construction was leaked in late July 2016.

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