A Tale of Three Cities:

Urban Rail Concessions in Bangkok, Kuala Lumpur and Manila

Transport Forum
March 11, 2005, Washington D.C.
Pop: 10m
Pub. Tr.: 53%
MRTA: 200K/day
BTS: 350K/day
KL MRT Network

Population: 1.4 m
Pub. Tr: 16%
Star: 110K/day
Putra: 150K/day
Mono: 45K/Day

STAR: Yellow
PUTRA: Pink
Monorail: Red
Manila MRT Network

Population: 11 m.
Public Tr.: 72%
LRT III: 375K/day
Are these beneficial concession projects?

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</thead>
<tbody>
<tr>
<td>Km</td>
<td>23</td>
<td>18</td>
<td>25</td>
<td>24</td>
<td>11</td>
<td>24</td>
</tr>
<tr>
<td>$/Km</td>
<td>59</td>
<td>155</td>
<td>33</td>
<td>53</td>
<td>36</td>
<td>40</td>
</tr>
<tr>
<td>Bench Mark</td>
<td>30-75</td>
<td>60-180</td>
<td>20-46</td>
<td>33-87</td>
<td>30-75</td>
<td>27-66</td>
</tr>
<tr>
<td>Pass./Km</td>
<td>15.2</td>
<td>8.9</td>
<td>4.4</td>
<td>6.3</td>
<td>4.1</td>
<td>15.6</td>
</tr>
<tr>
<td>Pass/Station</td>
<td>15</td>
<td>7</td>
<td>4</td>
<td>6</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>BM (16-20)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Operation</td>
<td>***</td>
<td>***</td>
<td>**</td>
<td>***</td>
<td>***</td>
<td>**</td>
</tr>
<tr>
<td>Rev/Op. Cost</td>
<td>2.1</td>
<td>Too early</td>
<td>1.3 with Putra</td>
<td>1.3 with Star</td>
<td>&gt;1</td>
<td>Lease&gt;rev. 15% return</td>
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</table>
Would the public sector have developed the project?

- Not clear, but considerable doubt
- Most projects (excepting MRT in BKK) identified by private sector
- Private sector brought finance + expertise provided space for govt. to handle other priorities
- Leaders were in support of attracting private capital & accelerating implementation.
## What scale of private sector financing?

<table>
<thead>
<tr>
<th></th>
<th>Bangkok</th>
<th>Kuala Lumpur</th>
<th>Manila</th>
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<tbody>
<tr>
<td></td>
<td>BTS</td>
<td>Blue</td>
<td>Star</td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td>$1.23 bn</td>
<td>$3.13 bn</td>
<td>$0.9 bn</td>
</tr>
<tr>
<td><strong>% Govt.</strong></td>
<td>Depot sites</td>
<td>80% for land+Civil</td>
<td>10%</td>
</tr>
<tr>
<td><strong>%Govt. Loan</strong></td>
<td>0%</td>
<td>0%</td>
<td>20%</td>
</tr>
<tr>
<td><strong>%Private Equity</strong></td>
<td>33%</td>
<td>25.6% for Eqpt/O&amp;M</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Other Debt</strong></td>
<td>66.8%</td>
<td>74.4%</td>
<td>60%</td>
</tr>
<tr>
<td><strong>Govt Action</strong></td>
<td>Planning to buy</td>
<td>Planning to buy</td>
<td>Assets taken in 2000</td>
</tr>
</tbody>
</table>
Would public sector procurement be more effective?

- Limited evidence but concession seems more effective method.
- Though with different technologies, markets & history, MRT 3 in Manila and BTS in Bangkok (both private) were delivered before MRT 2 & Blue lines (both public).
Has private financing achieved its expected results?

- No in general (too early for KL monorail)
- LRT III – Extra $30-60 m/ year lease compensation by Govt.
- Asian crisis (1997) showed the vulnerability of poor concession design;
- BTS considering to restructure financing while Govt. plans to buy
- STAR + Putra assets taken by Govt. (SPNB)
Broad Observations

- BTS, Putra, LRT III justified, early to judge others;
- Private concessions delivered in all cases;
- Govt. leveraged private capital/expertise;
- Poor revenue performance largely due to failed complementary actions or unrealistic assumptions;
- Risk allocations were poor between public & private parties – Poor Concession Design;
- **Winners:** Residents, users (poor?), road users;
- **Losers:** Investors, Bankers & govt. (tax payers);
Emerging Issues

- **INTEGRATION:**
  - Physical transfers – Manila
  - O&M: KL, BKK & Manila (Maint.)
  - Fare: All
  - Bus feeder: All
  - Land development: All but more in KL

- **REGULATION:** Institutional framework, pricing, concession design/award/management

- **EXPANSION:** Bangkok, Manila

- **PLANNING & COORDINATION**
Lessons from the Tale of Three Cities?

Let’s discuss

Thank You

Presentation based on a paper prepared for the JBIC-WB-ADB sponsored Study – Connection Matters