

## LONG-TERM BENEFIT

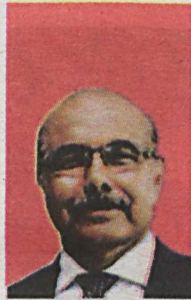
## HSR may pose some problems, but it is definitely the way to go

**S**IGNED in July 2017, the memorandum of understanding between Malaysia and Singapore envisages a high-speed rail link, or HSR, between Kuala Lumpur and Singapore. Temporarily shelved for its ill-affordability at RM68 billion, it is now back on the table. The talks come at an opportune time as both economies emerge from their lockdowns.

Undeniably, the 350km HSR will benefit both economies. But the salubrious fiscal impact will be far out into the future to readily aid the governments' current efforts to quickly revive their economies.

Less polluting, post-Covid-19 will see rail as a more viable option for travel. As with trade deals, so too will the HSR strengthen diplomatic and economic ties between the two countries.

It will help rebalance our economy. The increased commuter traffic into areas that the HSR will serve will catalyse tourism, and business and infrastructure investments there.



**DATUK  
DR. JOHN  
ANTONY  
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Just as what the PLUS North-South Expressway did to the townships it connects, cities will grow out of towns, such as Muar, Batu Pahat and Iskandar.

These conurbations should attract an effluxion of the saturated development in the Klang Valley and Singapore.

The ensuing growth should intensify property and commercial development. These will make the cities attractive weekend homes.

Economic spin-offs from these cities should lift the development in the surrounding regions.

Take the HSR between Hong Kong, Guangzhou and Shenzhen.

Opened in 2018, it connects the financial and trade hub of Hong Kong with its hinterland and integrates them economically.

It has eased the pressure of development in Hong Kong while accelerating development in the mainland province. The 15-minute journey offers speedier access to other HSR networks across China, thereby intensifying tourism into Hong Kong.

Financial and services hubs will spring up — Bandar Malaysia/Tun Razak Exchange on the Malaysian side and Jurong East in Singapore.

Malaysia, especially, will move into forging a service-oriented relationship and greater economic integration with Singapore. Asean economic integration may well be aided as the HSR eventually connects to China's "One Belt, One Road" initiative.

There are downsides, however. The HSR will disrupt the airline industry between Kuala Lumpur and Singapore — one of the busiest airspaces in the world. That will be good, nevertheless. It will

keep the players competitive as both the airlines and the HSR give each other a run for their money.

The project cost may appear prohibitive. But compared with the Hong Kong-Guangzhou-Shenzhen network that cost RM44 billion for a 15-minute journey, ours looks rather competitive. At a slightly shorter distance compared with our HSR, the 302km French TGV track that connects Tours and Boudreaux cost roughly RM45 billion in 2017.

Rough comparisons across other countries also suggest that the estimated cost of our HSR is comparable. There is also the opportunity cost — repairing, or building new hospitals, roads, dams and high-speed broadband connectivity.

Even on a public-private partnership, the HSR will inevitably call for public subsidies. It will be an even greater drain on public coffers if the government is funding it. However, we can take comfort that despite their huge costs, HSRs are much in vogue in the

European Union, Japan and China, largely due to their enormous benefits.

Compared with the journey by road, the HSR would cut travel time by half (two hours between terminals) but possibly cost five times as much. As such, HSR travel might be unaffordable. With a 4.5 million population in the Klang Valley and Singapore, the target markets are also small compared with, say, Chinese and Japanese cities.

The HSR may, therefore, become unprofitable. More so, after the completion of the double-track rail from Gemas to Johor Baru. But light cargo traffic should help keep the HSR afloat as both countries diversify their supply chains.

When we look at the problems closely, they may look mountainous. When looked afar, they become moles. If we look at the long-term interest of the nation, then the HSR is the way to go.

The writer is a professor at the Putra Business School