



FINANCIAL TIMES

“Malaysian \$150bn mega-project riles Singapore”

12/30/2014

Gavin Bowring and Hafiz Noor Shams write in a *Financial Times* blog in December 30, 2014 about Singapore’s opposition to the massive land reclamation project.

Official blueprints for Forest City envision scattered assortments of residential-commercial-retail districts, a new football stadium, and sports centers, with a potential gross investment value of up to \$150bn.

As a 66/34 per cent joint venture between Country Garden and the sultan of Johor, it is reportedly lobbying the federal government for lower corporate income tax to entice investment from foreign multinationals. According to local representatives of Country Garden, the company’s CEO, Yang Guoqiang, has “always dreamed” of undertaking a project such as this.

While Forest City does not cross the water boundaries between Malaysia and Singapore, large scale dredging would nevertheless impact water flows and silting through the channel.

Earlier this year, the Singaporean government demanded a thorough environmental impact assessment (EIA) and in late November renewed its complaints to the Malaysian federal government, calling for all reclamation work to be further suspended.

Malaysia’s Department of Environment deferred a decision that had been due last week on whether and in what form the project could be carried out. The deferral followed recommendations by a panel of experts on ways to minimize the environmental impact on the Straits of Johor.

There is growing local opposition to the project, too. Fishing communities are upset about potential detriments to their livelihood, while the project effectively impedes the future development of the adjacent Port Tanjung Pelapas, Malaysia’s second largest port, which was previously planned for future expansion along the coastline.

The lack of public consultation has raised some eyebrows. While the land acquisition process itself has been smooth – owners of coastal land have happily sold most of their holdings for a hefty premium – land usage is heavily influenced by the sultan of Johor, who effectively is selling mostly “reclaimed sea”, despite Johor state’s abundance of unused land.

The biggest fear is that Forest City may tip the balance in Johor’s already-distorted real estate market. The recent entrance of condominium developers has led to a near quadrupling in land prices along the coast, with ramifications throughout the Johor area.

The question is whether the astronomical price growth can continue, and whether these developers can successfully turn profits. For example, valuations would require condominium prices to increase at least another 30 to 40 per cent for R&F’s investment to break even. Although average condominium prices are already in line with Kuala Lumpur (which has a higher average income), prices are still at a fraction of those in the city-state next door.

The recent weakening of the Malaysian ringgit could also help promote this investment thesis. Nevertheless, increasingly out of reach of most local buyers, these projects may not be able to rely on foreigners alone. By law, foreign property buyers are required to take out mortgages from Malaysian banks. However, mortgage lending is facing growing caps, while buyers from mainland China are reportedly facing new restrictions due to banks’ inability to verify documents.

Land reclamation has already begun near the Second Malaysia-Singapore Link, while huge parcels of land and forest have already been cleared by Teng Yue Construction, the main contractor for Country Garden.

According to officials at Teng Yue, all further reclamation will be delayed at least until the first quarter of 2015, both due to Singaporean objections and the impending monsoon season. Singapore’s complaints, however have been directed towards the federal government in Putrajaya, not to the sultan of Johor.

The two governments have had a history of disputes over reclaimed land in the past, including Malaysia’s objections to Singaporean reclamation works around Tekong Island on the east side of their

channel, which in 2003 resulted in a modification of Singapore’s original plans.

In theory, the federal government has the power to block or stall mega-projects such as Forest City. However, the political dissonance that has been created as a result of falling public support for Umno – the leading party in Malaysia’s ruling coalition – has effectively granted greater individual powers to state sultans. It is unclear, therefore, to what extent Putrajaya would be willing to embarrass Johor’s royals in order to do Singapore’s bidding.

In the meantime, Country Garden is trying its best to shore up its image amongst local Johoreans.

Source:

<https://www.ft.com/search?q=Malaysian+%24150bn+mega-project+riles+Singapore>

STAR ONLINE

“KPRJ denies mass fish deaths is due to land reclamation project”

2/16/2014

A February 16, 2014, *The Star Online*, article reports the Johor government-owned Kumpulan Prasarana Rakyat Johor Bhd (KPRJ) has denied that the mass fish deaths in the Tanjung Kupang area along the Johor Straits was caused by land reclamation work nearby.

Speaking at the KPRJ office in Danga Bay Sunday, its executive vice chairman said that the project, had complied with all regulations set by the Department of Environment (DOE), adding that the department had conducted checks to determine proper compliance.

He also clarified that KPRJ had followed proper procedure in informing villagers and fishermen’s associations in Gelang Patah to get their consent before work on the project began.

It was reported on Friday that breeders in the area had claimed that land reclamation around the Tanjung Kupang area had been causing mass deaths of fish in farms.

At least 10 fish farms and 250 traditional fishermen

were reported to have been affected.

Earlier today, Johor political secretary Mohd Khairi Malik had said that the government was currently investigating the root causes of the fish deaths and would wait for the investigation report before deciding on the next course of action.

Source:

<http://www.thestar.com.my/news/nation/2014/02/16/kprj-denies-mass-fish-death-was-due-to-land-reclamation-project/>

TODAY ONLINE

“Controversial reclamation project in Johor Straits halted”

6/24/2014

A *Today Online* article from June 25, 2014 reports the stop-work order issued a week before by Malaysia’s Department of Environment (DOE) on the Forest City land reclamation project.

“The order came about a week ago and all land reclamation work in the area has been suspended pending further studies on the environmental effects of the project,” State Health and Environment Committee chairman Ayub Rahmat was quoted as saying by the *New Straits Times* (NST) yesterday.

Singapore’s concerns about possible transboundary impact from the reclamation work in the Straits of Johor and a lack of an environmental impact assessment for the project were implied to be reasons for the stop-work order.

“We have asked the Malaysian authorities to provide more information so that we can undertake a study as soon as possible on the impact of this reclamation work on Singapore and the Straits. They have agreed to do so and we hope to receive the information soon,” said a Ministry of Foreign Affairs spokesman on Saturday.

On Monday, the NST reported that the Johor government confirmed it had received a request from Putrajaya to furnish details on land reclamation projects in the state. Malaysia media

reports earlier said that Singapore Prime Minister Lee Hsien Loong also wrote to his Malaysian counterpart Najib Razak about the issue, after two diplomatic notes on the matter were sent to Malaysia’s Foreign Ministry last month.

A third note was handed to the Minister in the Prime Minister’s Department, Mr. Wahid Omar, when he visited Singapore recently, the reports said. Mr. Ayub told the NST that any negotiation on lifting the suspension on reclamation work for the development of the massive Forest City off Tanjung Kupang would be between the DOE and the project’s joint developers, China’s Country Garden Holdings and the state-owned Kumpulan Prasarana Rakyat Johor (KPRJ).

On the concerns raised by the Singapore Government, Mr. Ayub said the state government valued the bilateral ties with its neighbor. “We will look into the issue of other transboundary effects because of the land-reclamation work,” the NST quoted him as saying.

The Forest City project involves creating a 1,817ha island almost three times the size of Ang Mo Kio and the construction of luxury homes. The project, which includes a 49ha tourist hub and recreational facilities, is expected to be completed in 30 years’ time. The NST report said that reclamation work for the tourist hub began in early March and was expected to be completed by the end of the year.

Based on Malaysian regulations, projects that are larger than 50ha in size require an environmental impact assessment (EIA) report before they can be approved. However, *The Malaysian Insider* reported that, as of June 15, publicly available information on the DOE’s web portal showed that no EIA report was submitted either for the Forest City project or another 1,410ha reclamation project off Tanjung Piai, undertaken by Benalec Holdings for the purpose of building an industrial oil and gas hub.

Source:

<http://www.todayonline.com/world/asia/controversial-reclamation-project-johor-straits-halted>