

Healthy Construction Outlook with RM160 billion Investments in Rail Projects

The order books of construction players should remain healthy going forward on expectations that the Government will continue to embark on rail projects, with estimated investments for the industry to reach RM160 billion by 2020. According to Land Public Transport Commission (SPAD), more than RM50 billion had been invested in the transportation industry since the 1990s and those investments for the sector could reach RM160 billion in another eight years' time.

MIDF Research said construction companies were expected to benefit strongly if all the projects planned under the Urban Rail Development Plan materialises and the feasibility study of high speed rail (HSR) turns out positive. This news reinforces the research house's positive view on the sector, especially on the efforts of the Government to increase public investment by embarking on public infrastructure projects. There is also an urgency to speed up the construction of public infrastructure projects as was the case of the first line of mass the rapid transit.

Additionally, MIDF also believes that the RM160 billion indicated by SPAD does not include the HSR project, based on media reports quoting the Malaysian Industry Government Group for High Technology (MIGHT). The HSR project is still on the drawing board and is currently at the feasibility study stage. According to SPAD, a consultant has been appointed to study the technical, economic and financial viability of the project. The HSR project could cost RM30 billion, which means that the total outlay for railway projects in Malaysia may hit RM190 billion. The expected RM160 billion of investment is also inclusive of some of the on-going projects.

While benefiting the construction players, it also maintains the employment rate and supports other related industries such as cement and steel. Furthermore, for a country of this size and location, the improvement of the rail network would be very beneficial to the economy when it finally picks up. SPAD chief executive officer Mohd. Nur Ismal Mohamed Kamal said the RM160 billion of investment might not entirely come from the Government coffers, but it could be from the private sector as well.

(Sourced from The Star)