TO-BE-RECLAIMED LAND SWAP FOR NEW HIGHWAY: THE JELUTONG EXPRESSWAY CASE

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Abstract
This case study documents a novel privatisation format, one in which the highway developer, the Jelutong Development Sdn Bhd (JDSB), was compensated for the construction of a 4.7 km three-lane dual carriageway with 368 acres of mainly as yet unreclaimed land at its own expense. JDSB exhibited innovations when undertaking the project. Organisational-contractual innovations included coming up with the most attractive bid by way of most number of dwellings for low and low-medium earners and the smallest development lands as compensation. One financial-revenue innovation was generating real estate development revenue even as the highway was being constructed. The process innovations included locking-in the cost of highway construction contractually as well as through prudent management. Product innovations included dry vibro replacement technique. The paper concludes by highlighting a few salient points for highway developers and government agencies to consider when confronted with a similar project.

Keywords
Case study, financing; highway construction, land swap; Malaysia; reclaimed land, privatisation;

INTRODUCTION

Many countries around the world including in Asia (ADB, 2000), North America (Orski, 2008), Europe (Albalate et al. 2007) and Latin America (Engel et al., 2003) have privatised their highways. Conventionally these highways are financed through tolls collected by the concession companies over the duration of the concession period as compensation for financing, designing, constructing, operating and maintaining the structure. However there are less publicised alternative financing options involving the private sector. One unusual example is a highway that was partially funded through proceeds of bonds and ‘impact fees’ (fees levied on development within a 4.8-km corridor along the highway) but owned and operated by the public sector (Euritt et al. 1994).

In a unique privatisation deal, the highway developer for the Jelutong Expressway (JE) on the island of Penang, Malaysia, was given the right to reclaim land in part for the construction of the highway, but more significantly, for real estate development as compensation for providing the expressway. Malaysia has quite a number of privatised toll highways (Abdul-Aziz 2002). The JE is the first in Malaysia to adopt the yet-to-be-reclaimed land in exchange for a completed highway. It is also an