INDUSTRIAL COLLABORATION PROGRAM (ICP)

MRT CORP EXPERIENCE

Hasnul Alfian Harun, Head of Procurement, MRT Corp

GICC 2018, Paris
17 April 2018
BACKGROUND
MRT CORP is 100% owned by the Minister of Finance Incorporated as the developer and asset owner of the KVMRT Project. It was set up in 2011.

- The Klang Valley Mass Rapid Transit (KVMRT) Project involves the construction of a rail-based public transport network comprising three lines.

- The project is fully funded by the Government of Malaysia through bonds raised by DanaInfra through the issuance of Sukuk Bond.
BACKGROUND
THE KLANG VALLEY MASS RAPID TRANSIT (KVMRT)

MRT SBK Line
- **Completed** in July 2017
- 51 km long
- 9.5 km is underground
- 31 Stations
- 84 mins journey time (end to end)
- Estimated daily ridership: 400,000
- Estimated catchment population: 1.2 million

MRT SSP Line
- **23% progress**
- 52.2 km long
- 13.5 km is underground
- 35 stations
- 85 mins journey time (end to end)
- Estimated daily ridership: 529,000
- Estimated catchment population: 2 million

MRT Circle Line
- **Tender stage**
- 40 km long
- 30 km is underground
- 26 stations
- Circular alignment around the fringe of KL’s CBD
BACKGROUND

THE URBAN RAIL DEVELOPMENT PLAN

KLANG VALLEY

Current

- KTM Line
- LRT Ampang Line
- LRT Kelana Jaya Line
- ERL
- KL Monorail
- AG Extension
- KJ Extension

Future

- SBK Line (opened 2017)
- SSP Line (2022)
- LRT 3 (2021)
- Circle Line (2027)

To KLIA
INDUSTRIAL COLLABORATION PROGRAM (ICP) OFFSET TO ICP

- In 2011, Ministry of Finance Malaysia (MOF) updated the **Policy and Guideline on Offset Programmes in Government Procurement** that mandated Offset Program to be implemented in ALL Government Procurement – expanded from only defence procurement.

- In 2012, MRT SBK Line became the first commercial/non-defence procurement to implement **Offset Program**.

- In 2016, MRT SSP Line implemented **ICP Program** following the revision and renamed of the policy to **Policy and Guideline of Industrial Collaboration Programme in Government Procurement** by MOF.
BACKGROUND

ICP STRUCTURE

Authority

Procuring Agency

MRT Corp + TDA

ICP Management Unit

WPC/ICP Obligor

SIEMENS

MITSUBISHI

HYUNDAI

AACS

Rotem

POSCO

Meiden

ACCS

Construcciones

Bombardier

Indra

COLAS RAIL
BACKGROUND

INDUSTRIAL COLLABORATION PROGRAM (ICP)

- **OFFSET**
  - For Foreign Procurement with value > RM50mil

- **EEP**
  - Economic Enhancement Program
  - For Local Procurement with value > RM100mil

- **ICP**
  - Not applicable to MRT

- **COUNTER TRADE**
  - Relevant to MRT
BACKGROUND
INDUSTRIAL COLLABORATION PROGRAM (ICP)

OFFSET

- Incorporate in the tender requirements
- Become part of contractual obligation in the contract agreement
- Tenderers to propose projects
- Projects evaluated as part of tender scoring & recommendation

ICP

EEP
INDUSTRIAL COLLABORATION PROGRAM (ICP)
MRT CORP EXPERIENCE
INDUSTRIAL COLLABORATION PROGRAM (ICP)  
THE IMPROVEMENT

1. Increase in ICV Value to be generated due to the introduction of Economic Enhancement Programme (EEP)

MRT SBK Line
- 6 procurement – 5 foreign, 1 local
- Contract Sum: RM2.4

MRT SSP Line
- 18 procurement - 5 foreign, 13 local
- Contract Sum: RM29.8bil (€6.2bil)
The policy and guideline is enhanced to cover more aspects for a conducive ICP implementation

The introduction of:

- Usage of Malaysia Local Content (MLC) a min. of 30% on manpower, local tech., products & parts
- Penalty Management Process
- More comprehensive multiplier
- Pre-ICP Credit Banking option to OEM
More mutual cooperation between OEM and the authority due to the increase in awareness and knowledge in ICP implementation

- The OEM involved in SSP Line ICP Program have the knowledge and are fully ready to implement the ICP
- Four OEM in SSP Line ICP Program had previously being involved in similar program resulting in an effortless negotiation exercise and better project management
- MRT Corp as the Procuring Agency was able to seamlessly incorporate the ICP requirement in its internal processes – Tender documents, main contract, etc
INDUSTRIAL COLLABORATION PROGRAM (ICP)
SUCCESS STORY
INDUSTRIAL COLLABORATION PROGRAM (ICP)
SUCCESS STORY – SBK LINE

- **TOTAL PROJECTS**: 41
- **TOTAL BENEFICIARIES** (COMPANY): 337
- **TOTAL ATTENDANTS TO TRAINING**: 1,073
- **TOTAL INVESTMENT** (FDI): RM 58 mil. (€12mil)
- **LOCALISATION / SUB-CONTRACTING**: RM1,078 mil (€225mil)
- **TECHNOLOGY TRANSFER / KNOWLEDGE TRANSFER**: Worth RM400 mil. ICV (€84mil)
SUPPLY CHAIN DEVELOPMENT FOR SBK LINE
ELECTRIC TRAIN

SIEMENS
- Contract Value
  RM1,223mil (€255.2mil)

SMH RAIL
- First Train Assembly Plant in Malaysia
- Certified International Standard by Siemens

MY LED OPTO
- Manufacturing and supply of LED Lightings

DK COMPOSITE
- Manufacturing and supply of train seats

OTHER LOCAL PROCUREMENT
- Electrical, Metal, Fabrication Works and Logistic Service

Assembly works in SMH Rail Plant in Rasa
Train seats manufactured by DK Composites
SUPPLY CHAIN DEVELOPMENT FOR SBK LINE

TRACKWORKS

APEX
EMRAIL
GNJV

OTHER LOCAL PROCUREMENT

- Construction of Trackworks
- Sleepers, Walkway, Cable Through, Machineries, Metal, Fabrication Works and Logistic Service

Contract Value
RM855mil (€178.3mil)

Cable through supplied by Track Works & Supplies Sdn Bhd
Track installation by GNJV
BOMBARDIER
- Contract Value
  RM 281.3mil (€58.7mil)
- Engineering works
- Continuation in SSP by forming JV with Bombardier.

GLOBAL RAIL
- Design and assembly of Wayside Network Radio, DTS and Vehicle ATC products

PLEXUS
- Mechanical parts and sub-components, data cables, fibre optics cables, UPS and Special OCC Consoles

SUPPLY CHAIN DEVELOPMENT FOR SBK LINE
SIGNALLING
SUPPLY CHAIN DEVELOPMENT FOR SBK LINE
POWER SUPPLY

- **Contract Value**
  - RM459mil (€95.7mil)

- **SUN SYSTEM ENGINEERING**
  - Manufacturing of Indoor Metal Enclosed HV AC Switchgear

- **HHI POWER**
  - Manufacturing of DC Equipment

- **WINTRAD**
  - Manufacturing of Blue Light System

- **OTHER LOCAL PROCUREMENT**
  - Subcontracting
  - Procurement of power cables, battery and battery charger, diesel generator, LV switchboard, transformers and bus ducts
  - RM40.15mil
SUPPLY CHAIN DEVELOPMENT FOR SBK LINE
AUTOMATIC FARE COLLECTION

- **Contract Value**
  RM 120mil (€25mil)

- **TERAS**
  - Integration and installation works

- **MSM**
  - Manufacturing of gates

- **OTHER LOCAL PROCUREMENT**
  - Procurement of data links, servers, PC, network infra, switches, power supply,
SUPPLY CHAIN DEVELOPMENT FOR SBK LINE
TUNNELLING & UNDERGROUND WORKS

- Contract Value
  RM 8.2bil (€1.71bil)

- Manufacturing of Steel Fibre Reinforced Concrete (SFRC) Tunnel Linings

- Manufacturing of Tunnel Boring Machine (TBM) parts
- Refurbishment of TBM for use in Line 2
INDUSTRIAL COLLABORATION PROGRAM (ICP)

PROJECTED IMPACT – SSP LINE

LOCALISATION / SUB-CONTRACTING
RM 2,279 mil
(€476mil)

MARKET ACCESS
RM 20 mil.
(€4mil)

TOTAL INVESTMENT
(FDI/DDI/Plant Setup/JV)
RM 63.4 mil
(€13mil)

TOTAL BENEFICIARIES
(AUDITED COMPANY)
87

TOTAL ATTENDANTS TO TRAINING / STAFF ATTACHMENT
13661

Note: The final value be will determine upon Post Implementation Audit
**SUPPLY CHAIN DEVELOPMENT FOR SSP LINE**

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<th>Electric Train</th>
<th>Trackworks</th>
<th>Signalling</th>
<th>Power Supply</th>
<th>AFC</th>
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**Opportunities**

- Main Switch Box
- Filter Reactor
- Earth Brush
- Windshield Wiper
- Electric Distribution Board
- Electric Jumper
- Cable, etc
- Under Negotiation

- Wayside
- Cable installation
- PSD
- Logistic
- Under Negotiation

- 33KV Cables
- AC Distribution Boards
- LV Cables
- Control Cables
- Earth Cables
- DC Cables
- Under Negotiation

- PABX
- Voice Recording System
- Radio System
- Public Wifi Network
- Public Address System
- CCTV
- Under Negotiation

*Note: The list of suppliers are not exhaustive as the projects are still under negotiation*
INDUSTRIAL COLLABORATION PROGRAM (ICP)

CHALLENGES
INDUSTRIAL COLLABORATION PROGRAM (ICP)

CHALLENGES

- Initially, OEM’s cooperation in ICP is low due to perception of it being risky, overly time consuming and complex.
- The local industry unwillingness to invest on capacity development and advanced manufacture base dampen the ability to absorb technologies that OEMs are willing to offer.
- Additional cost to the procurement process.
CONCLUSION
The huge growth in the railway industry procurements by the Government of Malaysia opens up great opportunities for various sectors to participate and ICP can be the main platform for the collaboration.
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MRT Hotline:
1800-82-6868

THANK YOU