



**PRIME MINISTER  
MALAYSIA**

4 March 2002

**His Excellency  
Lee Kuan Yew  
Senior Minister  
Republic of Singapore  
SINGAPORE**

*Dear Kuan Yew,*

I refer to your letter dated 10 December 2001.

I would like to reiterate that Malaysia is committed to resolving the package of issues with Singapore. In this regard, I am enclosing herewith Malaysia's proposals on the package of issues.

The Minister of Foreign Affairs of Malaysia will be heading the Malaysian delegation for the 4<sup>th</sup> round of negotiations to be held in Kuala Lumpur at a date to be mutually agreed upon through the diplomatic channel.

*With best regards,  
Sincerely,*

  
**Dr Mahathir bin Mohamad**

## **MALAYSIA-SINGAPORE PACKAGE OF FIVE ISSUES MALAYSIA'S PROPOSALS**

### **1. WATER**

#### **1.1 1961 Water Agreement**

Under Clauses 4 (ii) and 8 of the 1961 Agreement, Singapore has the full and exclusive right and liberty to draw off, take, impound and use all (raw) water from the Tebrau River and Skudai River with payment of 3 cents for every 1,000 gallons.

Clause 17 of the 1961 Water Agreement provides for a price review of (raw) water 25 years after signing of the Agreement.

#### **1.2 1962 Water Agreement**

Under Clause 5(i) of the 1962 Agreement, Singapore has the full and exclusive right and liberty to draw off, take, impound and use the (raw) water from the Johore River up to the maximum of 250 million gallons per day with a payment of 3 cents for every 1000 gallons.

Clause 14 of the 1962 Water Agreement provides for a price review of (raw) water 25 years after signing of the Agreement.

#### **1.3 New Water Agreement**

The 1961 and 1962 Agreements will be allowed to expire in 2011 and 2061 respectively.

There will be a new agreement effective from 1 January, 2002 and valid for 100 years, incorporating all the terms & conditions as mentioned in paragraphs 1.4, 1.5, 1.6, 1.7 and 1.8. This new agreement will be allowed to run concurrently with the 1961 and 1962 Agreements.

#### **1.4 Composition**

After the expiry of the 1961 Agreement in 2011, the supply of raw water from Sungai Skudai and Sungai Tebrau will cease. Instead, Malaysia will supply 100 mgd. treated water from Sungai Sedili.

After the expiry of the 1962 Agreement in 2061, the supply of 250 mgd. of raw water from Sungai Johor will cease. Instead, Malaysia will supply 150 mgd. of treated water and 100 mgd. of raw water from Sungai Sedili.

#### **1.5 New Price of Raw Water**

Effective 1 January 2002, the new price of raw water under the 1961 and 1962 Water Agreements will be 60 sen per 1,000 gallon until 31 December 2006. This new price of raw water under both agreements should commence from 1 September 1986 and 29 September 1987 respectively.

Effective 1 January 2007, the new price of raw water under the 1961 & 1962 Water Agreements will be RM 3.00 per 1,000 gallon until 31 August 2011.

Effective 1 September 2011, i.e. after the expiry of the 1961 Agreement, the price of raw water to be supplied under the 1962 Agreement will be based on the following formula:

Price in 2011 = Price in 2010 $\times(1+A_{2010})$

Price from 2012 to 2061 = Price in 2011 $\times(1+A_{2011})$  to Price in 2061 = 2060 $\times(1+A_{2060})$

Where,  $A_{2010}$  = Average inflation rate of Malaysia and Singapore (opi) in 2010

$A_{2011}$  = Average inflation rate of Malaysia and Singapore (cpi) in 2011

Three years before the expiry of the 1962 Agreement, i.e. in 2058, Malaysia and Singapore should negotiate and agree to a new formula for the supply of raw water to Singapore taking into account the circumstances then.

## **1.6 Treated Water**

Under Clause 14 of 1961 Agreement, Singapore shall supply to Johore upon receiving written notice from Johore treated water amounting to 12 percent of the total quantity of (raw) water supplied to Singapore.

Under Clause 11(i) of 1962 Agreement, Singapore shall supply to Johore upon receiving written notice from Johore treated water amounting to 2 percent of the total quantity of (raw) water supplied to Singapore.

Johore is currently purchasing treated water at 0.50 sen per 1,000 gallon

## **1.7 New Price of Treated Water**

Effective 1 January 2002, the price of treated water purchased by Johore will be RM1.00 per 1,000 gallon.

Upon the expiry of the 1961 Agreement, Johore will supply 100 mgd. treated water from Sungai Sedili to Singapore based on the following formula:

$$\text{Ptw2011} = \text{JWAT2001} + \{50\% (\text{SWAT2001} - \text{JSP2001} - \text{SDCAT2001})\} [1.A2001][1.A2002] \dots [1.A2011]$$

Where:

**Ptw2011** = Price of Treated Water in year 2011

**JSP2001** = Johor Selling Price of Raw Water in year 2001

**JWAT2001** = Johor Weighted Average Tariff in year 2001

**SDCAT2001 = Singapore-Distribution Cost and Administration Cost in year 2001**

**SWAT2001 = Singapore Weighted Average Tariff in the year 2001**

**A = Average Inflation rate of Malaysia and Singapore**

**i.e.  $\frac{CPI_m + CPI_s}{2}$**

**CPI<sub>m</sub> = Malaysian consumer price index**

**CPI<sub>s</sub> = Singapore consumer price index**

**Malaysia and Singapore should negotiate and agree to a new formula for the supply of treated water to Singapore once every 20 years taking into account the circumstances then.**

### **1.8 Related Issues**

**The new agreement may consider incorporating but not limited to the following terms:-**

- i) all installations at Gunung Pulai, Sungai Tebrau and Sungai Skudai will revert to Malaysia on the expiry of the 1961 Agreement in 2011;**
- ii) all installations at Sungai Johor will revert to Malaysia on the expiry of the 1962 Agreement in 2061;**
- iii) Malaysia will bear the cost of the construction of water pipelines from Sungai Sedili to connect to the Singapore water pipelines;**
- iv) after 2011, the supply of 100 mgd. of treated water will be undertaken by a Malaysian owned company; and**

- v) after 2061, the supply of both raw and treated water will be undertaken by a Malaysian owned company.

## **2. BRIDGE AND RAIL**

### **2.1 Bridge**

A new bridge will be built to replace the Causeway. Malaysia will build the bridge on the Malaysian side at its own cost while Singapore will build the bridge on the Singapore side at its own cost. The bridge will connect at the common boundary in the Straits of Johore. Once the bridge is completed, the Causeway will be demolished.

Should Singapore decide not to build the bridge on its side, Malaysia intends to build the bridge on the Malaysian side at its own cost. The new bridge will join the remaining Causeway on Singapore's side. Once the bridge is completed, the Causeway on the Malaysian side will be demolished.

### **2.2 Rail**

Malaysia will build a new railway bridge across the Johore Straits. This railway bridge will include a railway swing bridge on the part of the Johore Straits that will be deepened for navigational purposes.

Should Singapore decide not to build the bridge to replace the Causeway on its side, Malaysia will build a railway bridge on its side in the Johore Straits. This railway bridge will include a railway swing bridge on the part of the Johore Straits that will be deepened for navigational purposes. The new railway bridge will join existing railway track on the remaining Causeway on Singapore's side.

The Malaysian Government will continue to operate the train service to Tanjung Pagar. The service staff for ticketing and management of train service will remain in Tanjung Pagar.

Should the Singapore Government request the Malaysian Government to terminate its train operations at Kranji, the following terms will apply:

- i) Malaysia will be adequately compensated for the three pieces of land identified under the Points of Agreement (POA) i.e land at Keppel, Kranji and Woodlands and all Railway lands belonging to the Malaysian Government in Singapore not mentioned in the POA. The compensation will be based on the current market value of the land; and
- ii) valuation of land will be conducted by consultants as agreed by both sides.

### **2.3 Water Pipelines**

New water pipelines on the Malaysian side will be installed by Malaysia and will reconnect with the Singapore water pipelines under the new bridge.

Should Singapore decide not to build the bridge to replace the Causeway on its side, the new water pipelines on the part of the Johore Straits that will be deepened for navigational purposes will be buried under the seabed and will reconnect with the Singapore water pipelines.

### **3. CUSTOMS, IMMIGRATION AND QUARANTINE (CIQ)**

The Malaysian rail CIQ currently in Tanjung Pagar will be relocated to Johore Bharu.

### **4. CENTRAL PROVIDENT FUND (CPF)**

The Singapore Government will amend the relevant legislation to enable workers regardless of age, from Peninsular Malaysia who have returned to Malaysia to withdraw their CPF deposits within the period of two years.

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Malaysians currently working in Singapore will receive similar treatment as other foreigners with regard to their CPF withdrawals.

**5. AIRSPACE**

Malaysia may consider providing appropriate facilities for the use of its airspace by the Singapore Air Force.

**4 March 2002**