



Section B Planning and Implementation
Part 5 Commercial Development Initiatives

CHAPTER 17

Commercial Development Initiatives

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chapter 17

17.1 Introduction

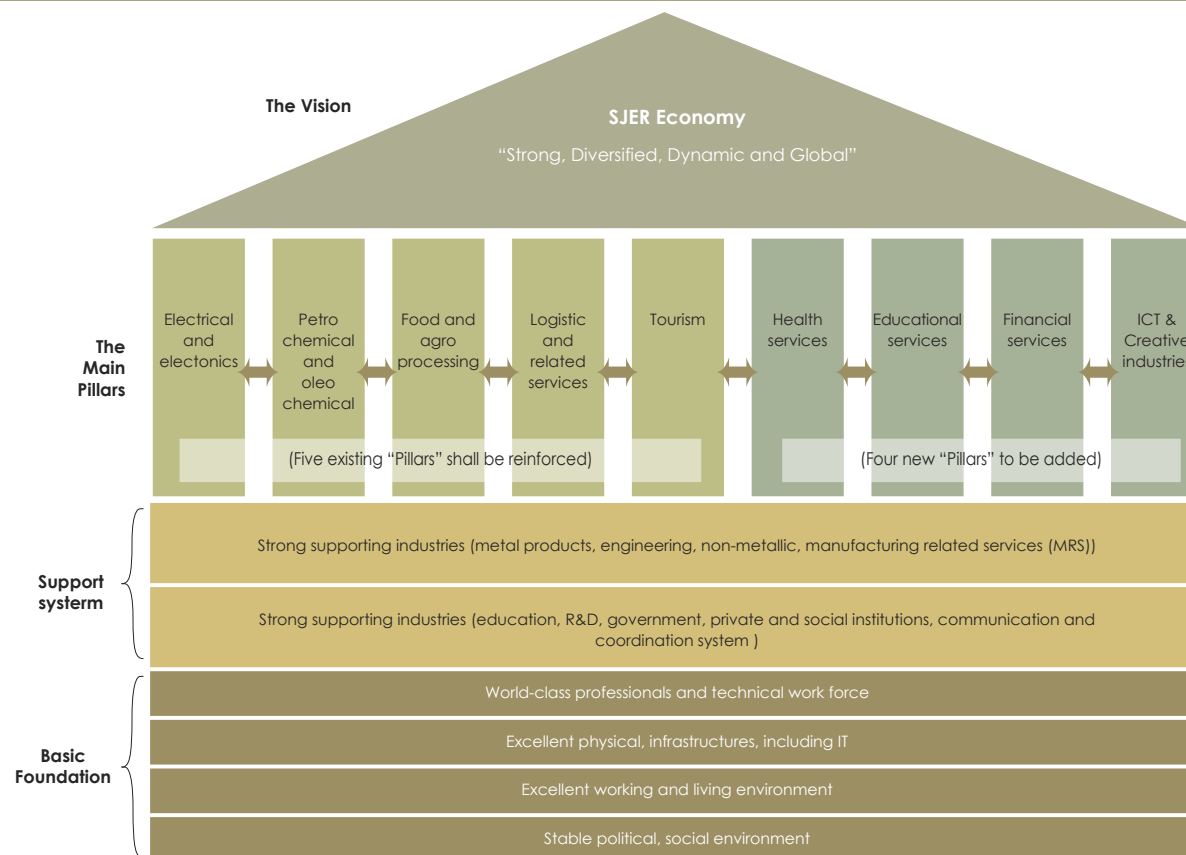
The planning and implementation of SJER will be underpinned and shaped by the enabling regulatory and governance framework, the social and holistic development initiatives, the comprehensive physical plan and the provision of adequate world-class infrastructure as described in the preceding chapters, will ultimately be also dependent on a dynamic and sustainable array of economic and commercial activities taking place.

In this regard, this chapter covers in brief the various targeted commercial development initiatives and is to be read in tandem with the extensive discussions already covered in Chapter 4 on the Strategic

Economic Framework, especially in respect of targeted sectors and the need to build clusters and vertical and horizontal capabilities along the targeted supply chains. The discussion in this chapter is also cognisant of the need to maintain commercial confidentiality of various initiatives that are ongoing.

To recap the recommendations in Chapter 4, as reproduced in figure 17.1 below as prescribed by SET 1, advocates the strengthening of the existing five pillars of economic clusters in SJER, namely electrical and electronics, petrochemical and oleochemical, food and agro processing, logistic and related services and tourism and to diversify into four new targeted sectors, namely in educational services, health services, creative industries and financial services, especially in Islamic Finance.

Figure 17.1: SJER Development Enabling Framework



17.2 Objectives

The objectives of the commercial development initiatives are summarised as follows:

- To build upon existing strengths and commercial initiatives undertaken by various existing commercial players, specifically in the five identified sectors highlighted above. In particular, the significant progress made by various major commercial entities in the SJER region, namely PTP, Senai Airport, UEM, Danga Bay, SJIC and others are duly recognised and will continue to be given appropriate support and emphasis. In addition, the major private sector players in the real estate and property development sectors are highlighted in Figure 17.3 are expected to benefit significantly from the various interventions and initiatives resulting in increased demand for properties.
- To identify targeted future growth sectors as highlighted above and to drive investment and commercial development in these sectors through catalyst development projects.
- To identify targeted infrastructure development that are required to be implemented or developed by the private sector under the Private Financing Initiative, privatisation or government funding under the Ninth Malaysia Plan and in subsequent national plans.
- To establish appropriate special development and investment vehicles (or “super developer”) to undertake the various commercial development initiatives, especially in catalyst developments that require very large capital investments and/or long gestation periods.
- In line with the international positioning of SJER, to target appropriate alliances, investments and co-investments with world class corporations in commercial ventures in the targeted sectors that will bring in significant infusions of capital, technology, innovation and human capital.
- To ensure that commercial development initiatives are sensitive to the need to develop industrial clusters that do not crowd out private enterprise especially in the private sector, SME sector and micro-business sector. In this regard, the aim of such targeted commercial development initiatives will be to facilitate

the development of an orderly, balanced and self-reinforcing ecology and spectrum of commercial players including large, state-owned or state sponsored entities such as the “superdeveloper” and large GLCs, to large private sector entities, to SMEs and to micro-businesses.

- To ensure that the development of such a balanced cluster ecology will also have the development of the BCIC as a central feature as discussed in earlier chapters. Further, the targeted commercial development initiatives will also incorporate the best practices of Corporate Social Responsibility (CSR) in line with the overarching aims and aspirations of SJER for holistic development.

17.3 SJIC Berhad – the “Super Developer” for SJER

The establishment of South Johor Investment Corporation Berhad (SJIC) by Federal and State level investment agencies, Khazanah Nasional Berhad (Khazanah), The Employees Provident Fund (EPF) and Kumpulan Prasarana Rakyat Johor (KPRJ) will spearhead catalyst developments in the SJER. SJIC is a commercial entity with long term profit objectives, set up for the purpose of overseeing the development of the SJER. Broad objectives of SJIC are as follows:

- To promote the international positioning of SJER;
- To develop strategic public-private partnerships by participating as an investor in the strategic and catalytic projects to accelerate and enhance the growth of SJER;
- To channel resources to stimulate demand, sustain growth and promote regeneration of SJER;
- To address strategic nation building issues such as economic wealth distribution, local residents' welfare and well-being, promote coordinated land development and other socioeconomic agenda; and
- To make a reasonable return on its investment in its subsidiary and associated companies.

To safeguard the above objectives, including national and state level objectives, the shareholders of SJIC shall at all times be restricted to related and wholly-owned Federal and State agencies. Khazanah, being the investment arm of the Government of Malaysia, is expected to own a majority of SJIC at all times.

At its inception, SJIC is expected to have total assets of approximately RM2.5 billion in land, cash and equity stakes in subsidiary and associated companies.

17.4 The SJER Commercial Development Enabling Framework

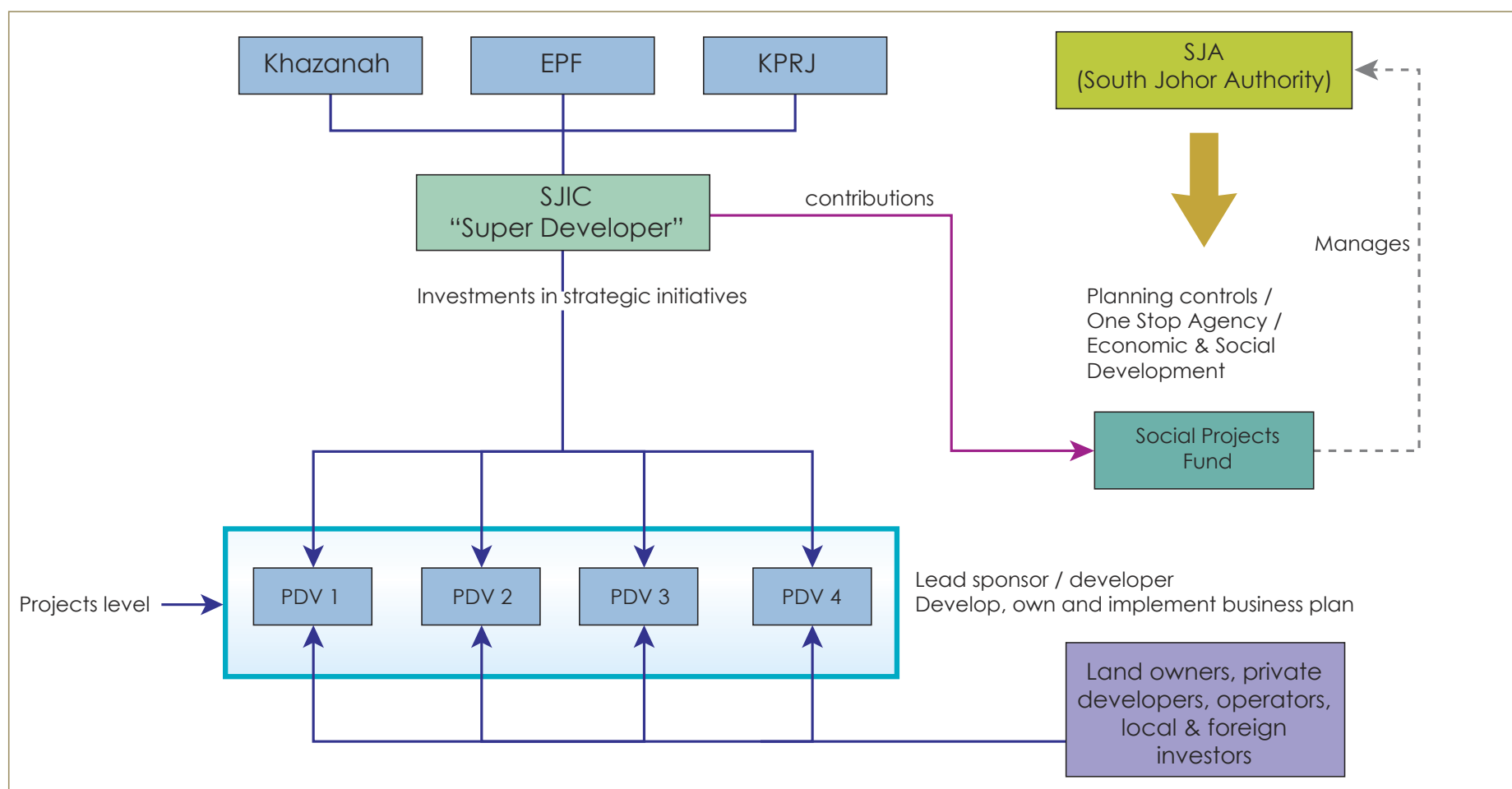
An enabling framework is one of the critical factors that will ensure the success of private sector participation in the commercial development of SJER. To manage the development of the SJER, an enabling framework is structured based on several key principles and drivers such as:

- its wide range of (and potentially conflicting) social and commercial objectives;
- its unprecedented scale in terms of size of the SJER, which is approximately three times the size of Singapore; and
- the lessons learnt from international and local case studies, including lessons from Dubai, Kuala Lumpur City Centre (KLCC), Milton Keynes, Melbourne Docklands, London Docklands/Canary Wharf, Cyberjaya, Putrajaya, Shenzhen and Toronto.

The structure provides an enabling framework to deliver the above objectives and to fill the funding gap between the requirement for Government spending and the private sector’s immediate appetite for investing into SJER in the immediate term.

The enabling framework is highlighted in Figure 17.2, for the development of the SJER which will simultaneously allow the interests of government, the private sector and SJER residents to be met.

Figure 17.1: SJER Development Enabling Framework



Source: SJER CDP 2025

Table 17.1: Key Characteristics of the SJIC “super developer”

SJIC

- SJIC, a managing entity, would be formed with the mission to create an environment for development in the SJER by mobilizing the efforts of government, private sector, international organisations and civil society. It will be the umbrella organisation of the SJER initiative.
- Profit-motivated company to drive strategic and catalytic projects in SJER, with a long term view, set up for the purposes of raising funds to kick start and to ensure continued development of SJER. SJIC will invest in selected strategic and catalytic initiatives through:
 - (a) shareholding stakes in joint ventures
 - (b) contribution of land either through sale or lease or granting of a concession or development rights
- An Investment Holding Company (IHC) whereby it will operate as a discretionary fund i.e. all investment decisions shall be at the sole discretion of its appointed Board of Directors (BOD).
- May provide bridging or mezzanine financing to catalyst projects to assist in any funding gap at the initial stages.
- Participation in SJER is via investing in Project Development Vehicles (PDV).
- May own land banks but will not directly participate in property development or construction. It will promote strict project evaluation and selection process to ensure that the projects in SJER are successful and sustainable.
- May partner with major foreign players to participate in SJER via PDVs.

17.5 Project Development Companies

Project Development Vehicles (PDVs) to be incorporated will be subsidiaries and associated companies of SJIC, depending on the strategic and commercial nature of projects undertaken. Each PDV would be a special purpose development company under the SJIC to deliver strategic and catalytic projects. It is imperative that the PDV projects demonstrate long term viability and the final debt-equity and shareholding structure of the PDV would be dictated by the project economics.

SJIC will be an investment holding company and not a property developer. In this respect, the SJIC may own land banks but does not intend to directly participate in property development or construction. However, the SJIC would seek to promote strict project evaluation and selection process to ensure continuity and sustainability of the projects within SJER.

It is proposed that SJIC be eligible to be awarded certain Ninth Malaysia Plan infrastructure projects to ensure speedy execution of these projects and allow it to realise a reasonable return on investments in return for its role as the key driver of long term projects in SJER.

PDVs would be formed as and when SJER projects are identified by SJIC and SJA. SJIC is expected to team up with developers, incumbent land owners and strategic financial investors. The PDVs would also be a means by which international developers could participate in the development of the SJER and the immediate benefits of this would be the influx of invaluable expertise and best practices from which local parties could learn from.

17.6 Strategic Catalyst Developments

The current plans for the Strategic Catalyst Developments include but it is not limited to the following:

- Waterfront Development
- International Mixed Commercial and Residential Development
- Leisure and Destination Tourism Development
- International Manufacturing & Logistics Development
- Education Based Developments
- Healthcare Based Developments

■ Iconic Buildings and Parks

SJIC has identified partners and consultants for some of the Strategic Catalyst Developments identified above. Details of these developments and specific projects will be announced as and when appropriate.

In addition, Khazanah has also been tasked and is currently undertaking a National interest study on the proposed High Speed Rail linking Kuala Lumpur with the SJER and adjoining regions.

17.7 Private Players

Among the catalyst developments are planned improvements in infrastructure through Ninth Malaysia Plan projects, the formation of the proposed SJA to facilitate and support foreign and local investments, together with various catalytic initiatives to be driven by SJIC is envisaged to accelerate the establishment of SJER as a new cosmopolitan metropolis. One of the paramount roles of SJIC is to attract foreign demand and facilitate partnerships with global companies through joint ventures or other forms of strategic alliances. It will seek to spearhead among others, continued improvements in urban planning in SJER in order to meet the expectations of international investors and buyers. Existing land owners and property developers within SJER will benefit from the acceleration of urban growth. New opportunities are envisaged in the key sectors of retail, leisure & tourism, education, healthcare and other key industries.

SJIC will also form selective joint ventures with major land owners in SJER to jointly develop its strategic land bank.

Several major new players will emerge, particularly new joint venture entities which will undertake various strategic initiatives identified by Khazanah. SJIC will form several joint ventures with both foreign and local companies for this purpose.

17.8 The Ninth Malaysia Plan

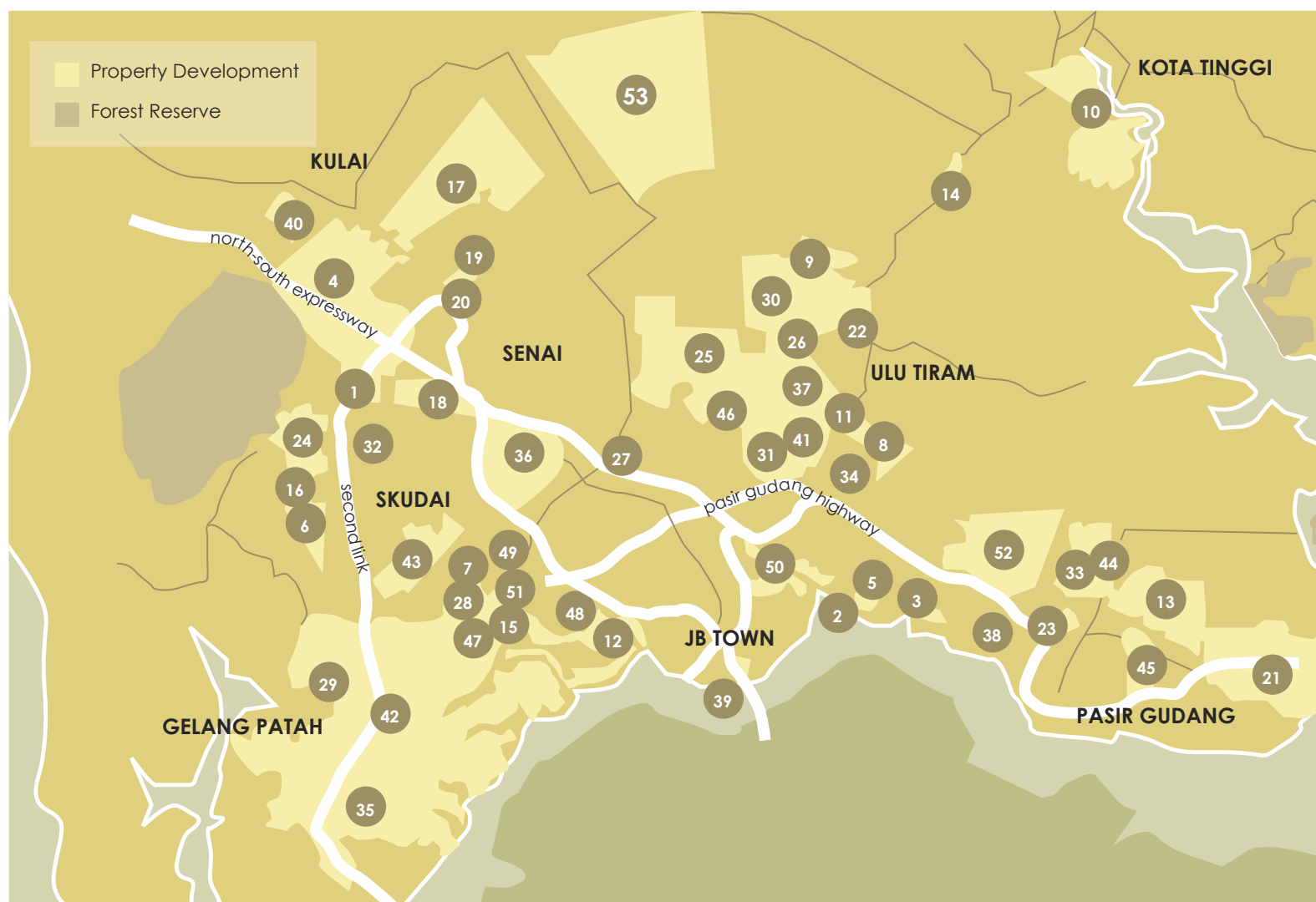
The SJER is a major high-impact project of the Ninth Malaysia Plan. In this regard, the Government has allocated RM4.3 billion for SJER under the Ninth Malaysia Plan coming the period 2006-2010. A major portion of allocation would be channelled towards both hard and soft infrastructure projects including but not limited to development of the coastal highway, traffic dispersal and upgrading the security in SJER. In addition, a strategic investment fund (SIF) will be established with an initial outlay of RM200 million. Direct beneficiaries of this fund would be new industry clusters particularly private higher education and healthcare preferably on a joint venture basis with the private sector. To promote further investments in the region, PFI initiatives would also be promoted by the Government.

Table 17.2: Approved Projects for the Ninth Malaysia Plan in SJER

Projects	Ninth Malaysia Plan allocation (RM million)
Upgrading of JB-Kota Tinggi / Pasir Gudang Interchange	60.0
Skudai Interchange	53.0
Inner Ring Road Interchange	27.0
Rail track to PTP	1.5
Upgrading of Perling Interchange	207.0
2 nd Permas Jaya Interchange	100.0
Senai Interchange	80.0
Road to Nusajaya from Second Link	75.0
Two interchanges in Jalan Tampoi	67.0
Upgrading of Jalan Tampoi	60.0
Upgrading of Ulu Tiram-Kota Tinggi Road	40.0
Bridge from Tg Pelepas to Tg Bin (Study only)	1.5
Senai-Desaru Highway Land Acquisition	596.0
Senai Airport Infrastructure	100.0
River Cleaning (Sg Seget, Skudai, Tebrau)	903.0
Security (police stations etc)	330.0
Coastal Highway (land acquisition)	200.0
Traffic Dispersal (Interchanges)	423.0
Senai Skudai Highway	86.0
Drainage	197.0
Traffic dispersal (upgrading, etc)	680.0
Total Approved	4,278.0

Source: Ninth Malaysia Plan, Economic Planning Unit

Figure 17.3: Existing Major Property Development Projects and Real Estate Developers in SJER



<p>Amban Budi 1. n/a</p> <p>Andaman Budi 2. Bayu Semibung</p> <p>Arah Cipta 3. Cahayah Kota Puteri</p> <p>Asiatic Development 4. Indahputra</p> <p>Bandar Raya 5. Bandar Permas Jaya</p> <p>Binaik Equity 6. n/a</p> <p>Country View 7. Nusa Bestari 1</p> <p>Crescendo 8. Desa Cermelang 9. not known</p> <p>Daiman Group 10. Daiman 11. Taman Gaya</p> <p>Danga Bay 12. Danga Bay</p>	<p>Focal Aims 13. Kota Masai</p> <p>Glomac 14. Sri Saujana</p> <p>Ho Hop Construction 15. Nusa Bestari</p> <p>Hua Yang 16. Taman Pulau Indah</p> <p>101 Properties 17. Bandar Putra Kulai</p> <p>Johor Land 22. Taman Bukit Tiram 23. Taman Bukit Dahlia</p> <p>Keck Seng 24. Bandar Baru Kangkar</p> <p>Kelana Ventures 25. Bandar Jaya Putra</p> <p>KSL Holdings 26. n/a 27. n/a 28. Taman Nusa Bestari 29. Taman Nusa Perintis</p>	<p>Kulim 30. Desa Tiram</p> <p>Mah Sing 31. Austin Perdana 32. Sri Pulai Perdana</p> <p>Malaysia Pacific Corp Bhd 33. Nusa Damai</p> <p>Melati Ehsan Development 34. Taman Ehsan Jaya</p> <p>Mulpha 35. Leisure Farm Resort</p> <p>Pelangi 36. Taman Impian Emas 37. Taman Pelangi Indah</p> <p>Pilecon 38. Bandar Bukit Bayu 39. Johor Waterfront City</p> <p>PJ Development 40. Taman Putri Kulai</p> <p>Plenitude Holdings 41. Desa Tebrau</p>	<p>Renong 42. Bandar Nusajaya</p> <p>SCB Developments 43. Multiara Rini</p> <p>Scientex 44. Taman Scientex</p> <p>Sime UEP 45. Taman Pasir Putih</p> <p>SP Setia 46. Setia Indah 47. Bukit Indah</p> <p>Tanah Sutera Development 48. Taman Sutera 49. Taman Sutera Utama</p> <p>Tebrau Teguh 50. Bayu Puteri</p> <p>UDA Holdings 51. Bandar Uda Utama</p> <p>UM Land 52. Bandar Seri Alam</p> <p>YPJ Holdings 53. Ladang Yayasan Johor</p>
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Source: Ho Chin Soon Research