

*Senior Minister
Singapore*

24 August 2000

Dear Dan

I promised you a note during our telephone conversation on Monday, 21 August to help remind you of the items we spoke about. I have also given more details on the water projects that I have gathered from my secretary since we talked.

Mahathir had agreed to increase our water supply from the Johore River to 350 mgd. But the present yield of the Johore River is 313 mgd. This means Johore will not be able to continue to draw from this river the 70 mgd that they are doing at present. I therefore propose that Singapore build and pay for 3 water schemes to raise the yield to 530 mgd. This will take some 5 years to complete and will cost Singapore S\$378 million or RM 835 million. Singapore will then draw an additional 200 mgd instead of 100 mgd raw water from the Johore River. This will still allow Johore to draw 80 mgd from the Johore River.

In addition, Johore will have some 90 to 100 mgd from the Tebrau-Scudai-Gunong Pulai sources that we will hand over to them in 2011, when the 1961 agreement expires.

After 2061, Malaysia will continue to supply Singapore, for 100 years thereafter, with 450 mgd, comprising 150 mgd raw water, and 300 mgd treated water.

As agreed with Mahathir, the price formula for raw water will be at a 50% premium over the average inter-state raw water levy charged by Johore, ie, at present, $30 + 15 = 45$ sen. For treated water we will use the price formula we agreed in the 1990 water agreement for treated water in excess of the 250 mgd from the Johore River.

On Mahathir's Causeway bridge proposal, my PM agrees to it, but proposes that we do not demolish the Causeway. He is wary of a public outcry if he agrees to the destruction of a historical and still valuable asset, just to replace it with a beautifully designed bridge but one that will lead to increased toll charges.

He can better present the bridge proposal to the people of Singapore if he can say that three links are needed for longer term traffic growth, that even at present, during weekends and the holiday season, there is congestion at the Causeway. Both the bridge and the Causeway on the Malaysian side can be vested in Gerbang Perdana who can collect the toll

fees. The toll charges between the three links can be adjusted so that we get the desired usage results.

As for the tunnel to link the MRA train to Kranji station, our water pipes need not be placed in the tunnel. My secretary has informed me that the pipelines from Scudai, Tebrau and Gunong Pulai, through JB and the Causeway will revert to the Johore government in 2011 when they take over the Scudai, Tebrau and the Gunong Pulai water resources. A more important reason: it is not safe to put water pipelines into the tunnel as any leaks can cause catastrophic flooding in the tunnel, a danger to train travellers.

Singapore will allow the early withdrawal of the CPF savings of West Malaysians who have left Singapore permanently.

Malaysia will reinstate all the arrangements for RSAF aircraft to use Malaysian airspace for transit and training.

Singapore will exchange a site at Shenton Way, of equivalent value to the KTM station site at Keppel, an option which has been given in Plan 2 of the 1990 POA.

I am keeping my PM informed of my initiatives. He said however that he will leave them to me until the final stage when he will study them carefully before agreeing. To make it easier for us to write to each other, to test various options, all notes or letters I send to you or Mahathir, or vice-versa, will be treated as Without Prejudice; that there is no agreement until all points are agreed and signed by the two PMs.

I will be away in Europe and US from 1st to 21st October. Perhaps we can meet before I leave on 1st October. The signing by the two PMs can be end October.

Let us clear the decks for the two PMs so that we can get on with it.

Yours Sincerely
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