



PRIME MINISTER
MALAYSIA

18 October 2001

His Excellency Lee Kuan Yew
Senior Minister
Republic of Singapore

Dear Kuan Yew,

I refer to your letter of 21 September 2001 and wish to point out that your proposal for all outstanding issues between our two countries would have to be worked out by our officials. I note the views, which you have articulated during the debriefing to our officials and at our joint conference. I have mentioned at the press conference that the officials would need to work out the details. I was not prepared to look into the practical details of all the issues. However, I could go along with most of the items that we have discussed. I believe that it is only when the details have been worked out, I would be able to obtain the whole package deal in its entirety.

During our meeting, you have made certain linkages to the package. These linkages are new elements in our discussion. I believe that it is only fair that my officials look at the linkages and the implication of the linkages. I recall two linkages, which you have spelt out i.e. CIQ in Singapore for Malaysian Airspace and the source of water from Johore River. In your letter, you mentioned that Shenton Way is also meant for joint development. This was not made explicitly clear during our discussion and at the joint press conference. Indeed you stated at the PC that the old POA no longer applies.

While I have been moderating the price of water in the interest of securing a speedy settlement, you have proposed that the price of water would only be effective in 2011 and 2061 for 45 cents and 60 cents respectively. As you are aware, water is within the purview of the state of Johore and I have no authority to deny Johore the price



revision provided for in the present agreements of 1961 and 1962, which is long pending. In your matrix, you have indicated in square bracket the element of price revision for treated water as well. In the interest of fairness, I believe that the price revision should be both ways. In my letter to you, I have stated that the interstate water levy should not be used as it involves subsidy from the Federal Government. Since the price review should be on both treated and raw water, we could consider a common formula, i.e., compound rate for instance as the basis.

I thank you for agreeing to the point on the relocation of the Malaysian CIQ and rail station from Tanjung Pagar to Kranji. This point is only valid if Malaysia continues its rail service to Singapore. However, in the light of uncertainties in the international economic environment and the cost of building the rail tunnel and bridge, my economic advisers have advised me that it would make more sense to end the rail service in Johore Bahru. Should I go along with their proposal, Malaysia would be making additional concession in freeing up all the KTM lands from Woodlands downwards. I believe that it would only be fair that additional lands are also included in the package for compensation.

I agree with you on the need to settle all the issues and move on. In the same breath, I would add that we could only remove all impediments to our relations when each side is fully satisfied that it has secured a fair and reasonable deal. I propose that our officials should meet to discuss further on the issues.

*With best regards,
Yours sincerely,*


Dr. Mahathir bin Mohamad