

*Senior Minister
Singapore*

10 December 2001

Dear Mahathir

Thank you for your reply of 18 October 2001, and your agreement that we need to settle all the issues and move on. I am sorry that preoccupations with our economic problems and elections have delayed my reply.

2 May I clarify Singapore's position on some of the specific items in your reply when you referred to what I said at our meeting and the joint press conference on 4 September 2001, and further outlined in my letter of 21 September 2001.

3 On the POA, I would like to confirm that what I said was that "the POA is being varied to give the extra 12 plots of land at Bukit Timah and the CIQ, too". I did not say that "the old POA no longer applies". The 1990 POA is a legally binding agreement and any variation to it will have to be by an agreement amending or supplementing it.

4 According to Clause 7 of the POA, the MRA land at Keppel where the rail station is currently sited will be exchanged for a plot in Marina South of equivalent value, for joint development by M-S Pte Ltd. It is in accordance with an option given in Plan 2 of the POA, as stated in my letter of 24 August 2000 to Tun Daim, that I had offered a plot at Shenton Way for this exchange, for joint development.

5 On water, I had written in my letter of 23 April 2001 that Prime Minister Goh Chok Tong appreciates your moderating the price of water.

6 In return for assured water supply beyond 2061, I agreed at our 15 August 2000 meeting to revise the price of raw water Singapore currently buys from Johore. I stand by this offer and had repeated that the price for the existing supply of 350 mgd raw water under the 1961 and 1962 agreements, be revised from 3 sen to 45 sen per 1000 gallons, with no price review. This will start from the date of the new agreement that we are negotiating and not 2011, as you wrote in your letter of 18 October 2001.

7 Also at our 4 September 2001 meeting and press conference, I agreed to the price of 60 sen per 1000 gallons, as proposed in your letter of 21 February 2001, for the additional raw water to be supplied from 2011-2061, and from 2061-2161. I agree that this will be reviewed every five years for inflation. I had proposed that this price of 60 sen start from 2011, (not 2061 as you wrote in your letter of 18 October 2001), to be reviewed every five years thereafter for inflation.

8 On treated water that Singapore currently sells to Johore, your letter of 21 February 2001 stated that Johore agreed to revisions in the price of raw water that it now supplies to Singapore, and the treated water that it buys from Singapore. This is in accord with the 1961 and 1962 water agreements. In my letter of 21 September 2001, I had replied that Singapore agrees also to the revision of the price of treated water it currently sells to Johore. The square bracket is simply to indicate that we did not cover this specific aspect during our 4 September 2001 meeting.

9 In your letter of 18 October 2001, you said that in the light of uncertainties in the international economic environment and the cost of building the rail tunnel and bridge, your economic advisers had advised you that it would make more sense to end the KTM rail service in Johor Baru. You had indicated that should you go along with this proposal it would only be fair that additional lands are also included in the package. Please let me know what additional KTM lands you are referring to.

10 However, before taking your decision on the location of the KTM train terminus; I hope you will also consider the long-term significance and value of the KTM rail service. Since 1923, the railway has been a valuable link between Peninsula Malaya and Singapore, one that has contributed to and will continue to enhance the development of both territories. When you electrify the railway, its speed will increase and so will the passengers between Kuala Lumpur and Singapore. I believe keeping the railway link between Malaysia and Singapore benefits both countries. The win-win position is for both countries to have your railway link up with our MRT. However as the KTM is your railway, Singapore will abide by your decision.

11 I look forward to hearing from you. Our officials must have a clear framework to work on. After you have set out your position on these issues, our officials led by our respective Ministers of Foreign Affairs, can then meet on the details.

*Yus Simah
Knox*

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