

## **RAPID RAIL SDN. BHD.**

---

### **Main Points**

#### **What we examined?**

- Syarikat Rangkaian Pengangkutan Integrasi Deras Sdn. Bhd. (Rapid) was incorporated under the Companies Act 1965 on 26 July 2004 as a company wholly owned by the Minister of Finance Incorporated (MKD). The paid-up capital is RM239.18 million. On 30 June 2009, Prasarana Malaysia Berhad (Prasarana) acquired 100% of Rapid shares from MKD. On 14 December 2012, Rapid changed its name to Rapid Rail Sdn. Bhd. (Rapid Rail).
- Assessment on the management of urban rail service activities for the period of 2018 to November 2021 which covers two main areas of the Audit; the performance and management of activities. Activity performance consists of two aspects, namely the achievement of output and outcome. Activity management consists of three aspects, namely the management of rail operations revenue; management of rail operations and maintenance; and management of infrastructure and facilities at rail stations.
- Assessment on nine aspects of good corporate governance, namely the Chairman; the Board of Directors; the Chief Executive Officer (CEO); the Company Secretary; the Standard Operating Procedures (SOP); the Business Strategic Plan and Key Performance Indicators (KPI); the Audit Committee; the Internal Audit; and the Board Nomination and Remuneration Committee (BNRC) for the year 2018 to November 2021.
- Analysis of the three years audited financial statements for 2018, 2019 and 2020, includes analysis of income, expenses and profit and loss; assets and liabilities analysis; financial ratio analysis; and cash flows analysis.

#### **Why is it important?**

- To assess the achievement of the objectives of Rapid Rail as an operator of urban rail services.
- Rapid Rail has received RM983.32 million in rail operations revenue from the period 2018 to 2020. Rapid Rail also received RM104.12 million in subsidy from the Government in 2019 and RM32.85 million as of May 2020.
- Since its inception in 2012, Rapid Rail has not been audited by the National Audit Department.

## What we found?

- Overall, the objectives of Rapid Rail as an urban rail service operator has been achieved, corporate governance is good and the financial position is less stable.
- Weaknesses in the implementation of urban rail service activity management are as follows:
  - in 2020, the KPI for Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) was not achieved as Rapid Rail recorded a loss of RM123.07 million compared to its target profit of RM44.80 million. Apart from that, the achievement of rail service revenue of RM368.06 million (60.3%) was lower than the target of more than RM610.30 million. The decline in revenue in 2020 was due to a reduction in passengers during the Covid-19 outbreak;
  - in 2018 and 2020, Rapid Rail recorded a pre-tax loss of RM72.41 million and RM144.77 million respectively. The accumulated loss was RM690.83 million;
  - different KPI targets for 2018 to 2020 caused the trend of performance achievement cannot be measured from year to year due to changes in business strategy and frequency of change of Board Members;
  - Kelana Jaya Line (KJL) LRT and KL Monorail services were not yet operating at full capacity and have not achieved the outcome. The train headway in minutes did not meet the minimum rail service requirements set by the Land Public Transport Agency (APAD) due to insufficient number of trains operating;
  - in 2019, the KJL LRT and KL Monorail services showed an average passenger capacity exceeding 100% during peak hours (evening) at 123% and 106% respectively;
  - in 2020, there was a decrease in the average number of daily passengers to 282,355 (49.8%) and a decrease in the number of annual passengers to 87.17 million (49.4%) due to the Covid-19 outbreak;
  - rail operation revenue management has not reached the level of efficiency where there were recurring weaknesses in accounting treatment for collection and updating maintenance records of Automatic Fare Collection (AFC) system. The revenue gained from passenger was still not able to cover operating costs. Submission of subsidy claim invoices to APAD was also late;
  - maintenance work was carried out on schedule. However, delays in the delivery of spare parts have affected maintenance work and rail services;
  - 73 (34.6%) elevators and 116 (32.9%) escalators were inoperable because the Lift Machine Qualification Certificate had expired. Five passenger lifts at the KL Monorail station were inoperable because the lifts have yet to be approved by

the Department of Occupational Safety and Health. In addition, the screen door system did not work properly. Guiding blocks for the disabled were not provided on the pathway and stairs; and

- 197 cases of trespassing have been recorded from 2019 to 2021. However, no legal action were taken as the restricted areas have not been gazette. The security fences installed at the railway station were unable to prevent trespassing.

#### **What do we recommend?**

- The parties involved should consider the following recommendations:
  - provide rail services to the optimum level and comply with the train headway as determined by APAD so as to increase the number of passengers. In addition, the adjustment of rail fare should be considered to cover the increase of operating expenses;
  - improve the skills of officers and monitoring capacity, especially at the operational level so that errors in accounting treatment of revenue do not recur and maintenance records are constantly updated to show the actual position of the operation affairs;
  - follow up more effectively on the application for a reduction in electricity tariff in order to cover operating expenses;
  - provide infrastructure and facilities that comply with the rules set by the authorities and meet the needs of all users. In addition, the railways should be gazetted as restricted areas to curb track trespassing; and
  - strengthen good corporate governance practices in the aspects of the Board of Directors, Company Secretary, CEO, SOP and BNRC.