

## REAL ESTATE GLOBAL COMPETITION: THE IMPORTANCE OF GOVERNANCE FROM REAL ESTATE PERSPECTIVES IN MALAYSIA

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### **Abstract**

*In recent years, the matter of governance has emerged in all service sectors. Governance is a decision making process where implementation of the decisions are made. Globally, the world of real estate business has become very competitive. It is believed that governance will play a major role as a driving force, besides other factors. This paper will assess the way governance takes place in Kuala Lumpur as a capital city and business hub in Malaysia. It will examine using models developed by Jones Lang LaSalle from their survey on governance among major cities in the world in 2004. The models are city management and city marketing with some modifications to suit local contents. This paper will assist the government to understand the contributions of governance from real estate perspectives. Hence, it will improve Malaysia's ranking in the world global competition and attract property investments from abroad.*

**Keywords: Governance, Malaysia**

## 1.0 Introduction

Malaysia constitute of a diversified culture and ethnicity. Thus, city governance involves a complicated set of interlocking elements that have to be seriously identified to explain what is happening to cities that are exposed to national competition. Kuala Lumpur as a capital city and business centre in Malaysia has been identified to be exposed to international competition. Jones Lang La Salle in their study of city governance survey aimed to provide a tool for formulation of effective city strategies and to help investors and developers align their real estate assets with city strengths, its brand and changing built environment (JLL, 2004). Unfortunately, Kuala Lumpur was not included in the study.

Governance can be defined as a process of decision making and the process by which decisions are implemented or not implemented (JLL, 2004). Over the pass 50 years, Malaysia has witnessed in varying degrees the diffusion of power (decentralisation) from Federal Authority to State Authority and to Local Authority. This has resulted in autonomy in their own capacity to raise revenues and implement their own policies with a clear focus on improving the country's economic position. Financial constraints and the needs for data transparency have further urged the government to embark on joint ventures with the private sector to provide higher quality services to meet the increasing requirements of the city stakeholders, investors and corporate bodies.

Real estate make up almost two-thirds of the nation's wealth. Governance plays a crucial part affecting business and investments in real estate which will, presently and continuously in the future, be the utmost important driving force of city competitiveness. For this reason, this paper attempts to survey city governance level in Kuala Lumpur to develop an understanding of city governance within the Malaysian context, hence providing a platform for the formation of effective city strategies, and to help investors and developers align their real estate assets with the city's strengths, brand and changing built environment. For the purpose of this paper, the model used as a tool to assess major cities by Jones Lang La Salle will be used to assess the level of city governance in Kuala Lumpur.

What is good city governance and does it matter? Can good city physical and engineering influence the overall performance of a city, first in the nation city hierarchy and secondly, in the context of global urban hierarchy? How can the cities ensure the planning and spatial strategies embedded in their respective structure plan facilitate success and challenges in the future growth of Malaysia? How can the strategies be enhanced as a tool to attract real estate investors and occupiers and thus enhance its competitiveness? This is a conceptual paper to investigate on how governance takes place in Kuala Lumpur from real estate perspectives. Furthermore, this paper will develop real estate governance framework. This paper thus, aims to:

- i. Understand the contribution of city engineering and city physical's influence to the overall governance of a city.
- ii. Highlight the implications of city governance from real estate perspectives.
- iii. Build a governance analysis that facilitates international comparisons of city governance performance.

## 2.0 Literature Review

In order to assess city governance performance in Kuala Lumpur, this paper identified and analysed 7 essential indicators of governance. The indicators are as follows:

- i. Environment
- ii. Infrastructure
- iii. Organisation structure
- iv. Planning
- v. Regulatory
- vi. Tax
- vii. Data transparency

City governance encompasses a very broad range of attributes ranging from social participation, environmental sustainability through to the business environment and taxation. For the purposes of this research, the assessment will be based on those components of governance that create a favourable environment for real estate players. However, Jones Lang La Salle views this matter more onto city management and marketing. This survey however will adopt a different (albeit similar) approach. The two vital elements of governance i.e. 'city physical' and 'city engineering' identified as key factors of assessment are shown in Figure 1. These two elements are elaborated in the respective federal, states and local authority structure and local plans.

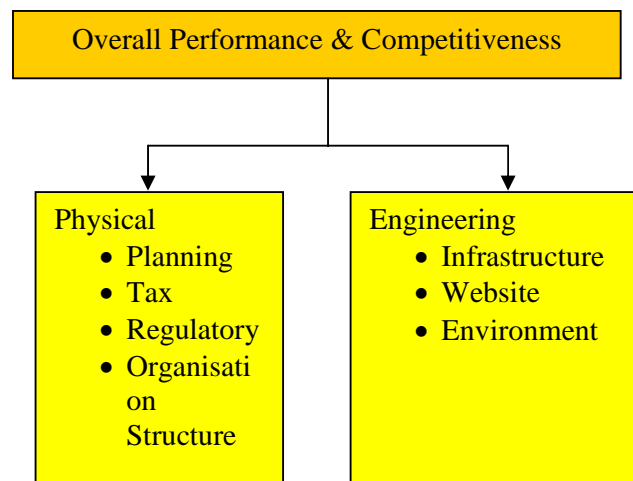


Figure 1: City Governance Model and Methodology

One of the fundamental goals of spatial planning and strategies at every level is to achieve good city governance. The goal of city and regional planning is to further the welfare of people and their communities by creating convenient, equitable, healthy, efficient and attractive environment for the present and future generations. Planning is city building encompassing numerous efforts in which the plans and strategies of local authority planning is able to achieve the following elements.

- i. Effective use of scarce resources  
The local municipality must find the most cost-effective ways of providing services and money that would be spent on the causes of problems in local authority areas. For example, a municipality may decide to allocate resources to

erect a canal that will prevent homes from being damaged during flows season. This will reduce the financial burden placed on the municipality's emergency services.

- ii. **Effective service delivery**  
Identifies the least serviced and most impoverished areas and point to where municipal funds should be spent. Implementation is made easier because the relevant stakeholders have been part of the process. Planning helps to develop realistic project proposals based on the availability of resources.
- iii. **Attract additional funds**  
Corporate, private investors and foreign investors will show higher willingness to invest where municipalities have clear development plans.
- iv. **Strengthens democracy through transparency**  
Through the active participation of all important stakeholders, decisions are made in a democratic and transparent manner.

Good organisation structures represent relationship within an organisation effectively. Good city governance creates ways and means to communicate, and provide information in multiple formats to accommodate diversified needs of investors and stakeholders. Hierarchy and bureaucracy should pose no barriers for an effective city administration, and instead tasks specialisation should enhance its capacity to meet increasing demands of the public. Municipalities have to develop strategies to support the goal of public participation in the development and decision making process. Key principles of its achievement include:

- i. **Efficient public communications as an instrument for influencing public opinion and raising public support for activities; and**
- ii. **Increase openness of government to involvement of communities**
- iii. **Ensure right person is doing the right job at the right time and right place.**

Another significant element in city governance is tax and regulatory provisions. It could only pose two possibilities to tax payers, whether it is burdensome or relieving. The general rules apply; if taxes are levied, it could enhance the magnitude of investors and stimulate more spending due to increasing purchasing power. However, if taxes and regulatory provisions proved to be too stringent without flexibility, it may break down the governance and local economy as a whole, which would pose serious constraints to local authorities' revenue.

Malaysia inherited its administrative machinery from the British colonial era and similar to most Commonwealth countries, enforces standardised and uniformed regulatory provisions and taxes, although tax rates at the local level may vary. In this context, though tax and regulatory provisions impact dweller units and basic level investors, looking from the macro perspective, taxes payable to the state government and federal government could be pose some constraints to the competitiveness of cities internationally.

At the current stage of development level, the Federal Government has provided for exemptions from Real Property Gain Tax (RPGT) since 2006. Furthermore, the 2008 budget encourages activities within the real estate sector as well as enhancing the effectiveness and efficiency of the transaction duration. For the residential sector, a 50% stamp duty exemption on documents of transfer will be given for the purchase of one house costing not more than RM250,000. For real estate business ranging from private valuation firms to corporate merging and acquisition effective January 1<sup>st</sup> 2008, private valuations will be allowed for purpose of assessment in stamp duty payment pending the

final valuation by the Valuation and Property Services Department, Ministry of Finance, Malaysia to expedite the transfer of property.

All the new policies above are supposed to provide significant impacts to the real estate activities in major cities especially Kuala Lumpur, serving as 'investor magnets' for Malaysia which would create a 'sustainable' investment climate and driver of funds injection to boost and strengthen its global position. In order to achieve good governance, cities must achieve high ratings for three attributes as indicators under the element of city engineering which constitute world class infrastructures, website transparency and healthy and good environment for a better environment for business, investment and dwelling. The main objective of city engineering is to act as the base of marketing tool, to promote cities to the world as a location choice for investment and leisure activities as well as a place for living.

In terms of real estate, it can be related to transparency concept. The concept of transparency will lead to certain characteristics which are follows:

- i. the rental market, e.g. average and top rents, lease rents, demand and supply space
- ii. the investment market, e.g. property and rents and yield; purchase and selling prices
- iii. the property and construction market, e.g. building costs
- iv. the capital markets, e.g. lending constructions  
(Schulte et. al., 2005)

In addition, Vinten (2001) in his report on corporate governance in the United States had come out with some suggestions to enhance the effectiveness on governance.

- i. Adequate resources and authority to discharge the responsibilities
- ii. Informed, vigilant and effective overseers of the company's financial system
- iii. Review management's evaluation of the independence of the company's public accountants
- iv. Oversee the quarterly as well as the annual reporting process
- v. The establishment of audit committee composed solely of independent directors in all public companies
- vi. Require committees to issue report describing the responsibilities and activities during the year in the company's annual report to stakeholders.  
(Adapted from Vinten, 2001)

### **3.0 Provision of Infrastructure and the Governance**

Infrastructure has been proven to be an imperative tool to enhance city governance. Infrastructure range from the most basic road networks connecting inter and intra cities to the provision of high-tech medical services and high technology and mass transportation system, to name a few. To enable the achievement of good governance, local authorities should embark on providing good infrastructure to the public to accommodate demand. In Malaysia, the tendencies to create and provide high tech infrastructure are skewed towards the bigger and busier cities. In our research, the Malaysian government provides advance facilities and infrastructure in Kuala Lumpur largely due to the fact that Kuala Lumpur is Malaysia's capital city. Kuala Lumpur is a city providing near to adequate good and high tech infrastructure as compared to other big cities such as Johor Bahru and Penang.

#### **4.0 Website Transparency in Relation to the Governance**

One of the good governance characteristics is transparency. Website transparency is any open and clearly presented portal or website of government organisations which operate in a legal and regulatory framework which can offer a consistent approach to the enforcement of rules and regulations, hence contributing to the development of city governance. Transparency is also introduced as a means of holding public officials accountable and combating corruption. Some of the circumstances in Malaysia that can contribute to such transparency are:

- i. the openness of government meetings to the media
- ii. budgets and financial statements can be made available to anyone
- iii. laws, rules and decisions are open to discussion

Recognising the importance of transparency as a means of good governance and to escalate the competitiveness of the cities within the nation as well as globally, the government has introduced the e-government concept in its administration. Authorities and agencies of all levels have since developed their respective websites but no clear guidelines are given on managing and maintaining of the information provided in the portal. From the desk research across main government websites, it can be said that the portal of DBKL fulfils all the website criteria based on functionality, design, content, originality, professionalism and effectiveness. Therefore it is rated as being the most transparent and has the most resourceful information.

#### **5.0 Governance Correlation Matrix**

Jones Lang La Salle's report on city governance in 2004 did not find significant correlation between successful governance and city size and wealth. For Malaysia, it is felt that the correlation between successful governance and city population and city size needs to be examined. These include the cities' achievement and the policy that they have improved or sustained over time. This section will expound on the details of case studies of good governance from Malaysian real estate perspectives.

##### **5.1 City Physical and Population**

Theoretically, when the population size is small, the city physical elements are well delivered. In a small city population, community is well controlled. Based on observations, the Kuala Lumpur City Hall (DBKL) had tried their best to fulfil all the stakeholders' requirements. Yet, in order to become a world class city, there are certainly many areas for improvement such as in its organisation structure, taxation, rules and regulations and planning provisions.

##### **5.2 City Physical and Size**

When the size of an area grows bigger, the city physical will be aligned to the growth resulting in a more effective and efficient governance. This results from the impact of the spatial needs for well-organised strategies. Administrative areas of DBKL is relatively big and this results in collectively more property tax collectible by the City Hall where it can be expended for structuring of new city developments and using it as a means of city marketing. Furthermore, for a fast growing city like Kuala Lumpur, the management of the areas is more complex and dense with the existing built environment due to scarcity of land, resulting in strategies more focused on the maintenance and conservation.

### 5.3 City Engineering and Population

City engineering includes website transparency, environmental aspects and infrastructure of the city. From the correlation matrix, it is inferred that facilities provision in a small population area is not as good as it is in the highly dense areas due to the ease of satisfying of low varied demand. In Kuala Lumpur, there are obvious efforts to improvise its city engineering. This is due to the increasing demand of each individual which shows a greater form of variety causing the City Hall to react by providing a more and wider range of services to accommodate the increasing needs and demand.

### 5.4 City Engineering and Size

The size of an area is important to facilitate the elements of city engineering. Smaller city relatively facilitate greater growth in city engineering due to shorter distance and cost effectiveness. Development of systems and property development of smaller areas are able to rise simultaneously. In general, DBKL shows a better quality of city engineering in its ability to provide better interaction of transportation, better control of transportation, better control on environmental issues, as well as higher budgets for the provision of ICT and infrastructure. These are evidenced through the existing facilities such as high technology mass transportation systems; ERL, LRT, and Monorail services. This indicates that good governance exists through the provision of good city engineering to support the services provided.

From the above attributes, one model of correlation matrix was developed in order to assess city governance from real estate perspectives (Figure 2).

<b>Engineering</b>		
<b>Physical</b>		
	<b>Population</b>	<b>Size</b>

Figure 2: Correlation Matrix Table

## 6.0 Laws and Regulations, Competitiveness and Governance

Laws and regulations have always been important elements of nation building. They constitute the complete and complex set of rules governing all activities within the boundary of which the regulation was set. Laws and regulations form the root of governance, and policy makers are very much dependent on them. They are important to the corporate, local and foreign investors and stakeholders to understand the mechanism

of the governance of the city. Delays in real estate development often occur in government-related processes which result in higher costs incurred to investors. In the aspect of real estate development, regulatory provisions in Malaysia would directly affect the policy making and decision making of authorities of all stages. Regulations would affect the approvals particularly during the planning and design stages of development and issuance of Certificates of Fitness for Occupation. Kuala Lumpur is under federal territory which is directly governed by the Federal Government. Being the capital city, it has the most laws governing the on going activities of the city, thus making it the most governed city. For instance, the approval process and procedures for issuance of Certificates of Fitness for Occupation are systematic and efficient. The enforcement of specified statues, enactments and by-laws assist the City Hall to have better control over its jurisdictions and providing clearer guidelines for investors, and this relates strongly to city governance. It is deemed that having relatively more appropriate regulations would enable substantial enhancement of the quality of governance.

The Planning Department plans the physical development of the city aligning towards the importance placed on human expansion and the nation's development. Nevertheless, there should be concerted efforts to continually seek improvement for a comprehensive guideline towards the efforts of planning and nation development. The philosophy of planning takes general characteristics and clearly shows that every development effort needs a detailed development plan that is systematic and well defined to ensure successful implementation. There have been many failures the world over due to human carelessness in conducting developments. Therefore, a development planning that is proper, full of vision and takes into account the importance of the various elements in general, is necessary to create a full and whole planning. The three main relationships that is the foundation in the community results as below;

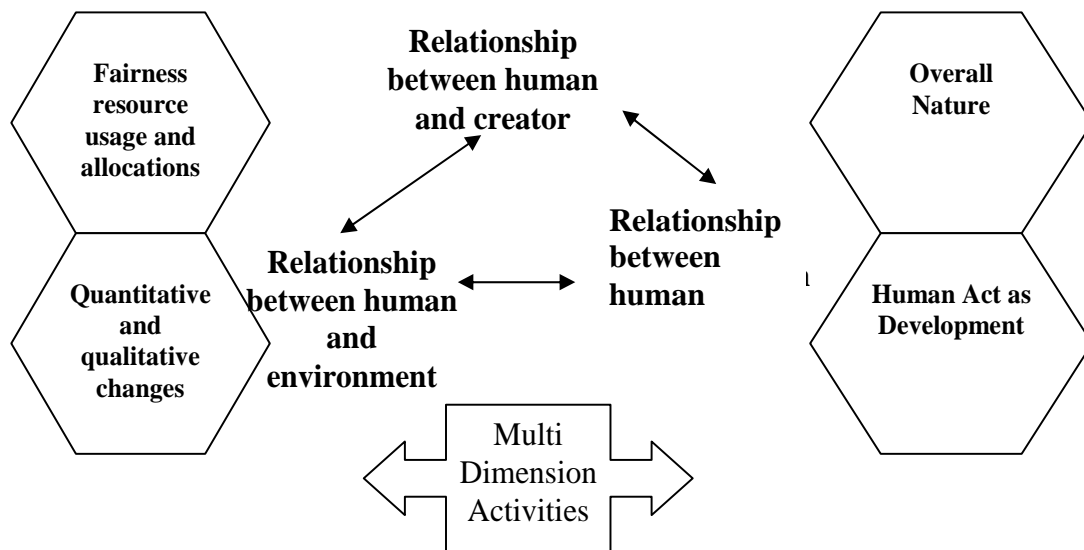


Figure 3: Planning and General Development Philosophy

Good city governance in terms of planning can be defined as in the above philosophy and only adequate integration will result in enhanced relationship between the attributes in Figure 3 to create a strong relationship. The attributes are dependent on each other to generate an efficient, effective and technological city planning environment.

Generally in Malaysia, there are nine essential elements in town planning which include zoning, land use, development strategy, city design, city interaction, city identity, landscape, residential quality and commercial quality. Thus in this paper, these elements



will be utilised for assessing the competitiveness of city physical for planning and how it affects the governance within the administrative boundary of Kuala Lumpur City Hall. Zoning means the earmarking of residential, commercial, industrial, education and leisure developments into different zones where land use planning is according to the zoning. The principle influencing investors' decisions is to ensure that land use is put to its highest and best use which complies with planning objectives of the authority and any 'structure plans' to eliminate risks and to maximise profit. Development strategy is strategic planning for the next year and it is a long term implementation that gives impact to the investors' vision to fulfil their investment objectives, and at the same time able to fit into the city planning. First impressions have always been important in creating strong confidence in investing in any particular area. The city design of Kuala Lumpur consists of its main entrance and visualisation corridor, trademarks of the city that can provide the first impression to investors keen to invest on developments in the city. City interaction which consists of open space, plaza centre, riverside and pedestrian walkways etc. should be as 'user friendly' as possible to ensure satisfaction and ease of use. In the perspective of real estate, city interaction is important because it relates to the ability to project the image and lifestyle for the creation of a good and friendly environment.

City identity consists of design characteristics and conservation areas. Identity is symbolic of image and prestige. The theme of each city could roughly suggest to the public of the vision that the planning unit has for the city which directly affects the landscape and environment policy of the city planning. The Town and Country Planning Act, 1976 (Act 172) is applicable in Malaysia but the different mode of implementation could have different impacts with each city having its own planning according to the Act. Generally, the Act is used to determine the land use planning for a particular city's development. In the case of DBKL, the main function is monitoring and implementation of its town planning functions based on guidelines and policies to make the developments transparent, effective and efficient. The DBKL's objective is to monitor and enforce planning strategies in compliance to the Kuala Lumpur Structural Plan 2020. Policy, structural plan and Federal Regional (Planning) Act 1982 (Act 267) are the basic planning guidelines for Kuala Lumpur. Examples of policy and planning for the development of Kuala Lumpur are as follows:

1. Method (planning) (Uses Cluster) Kuala Lumpur City 1980
2. Law of Building (Federal Territory of Kuala Lumpur) 1985
3. Exemption Authority under Federal Territory (Planning) Act 1982, based on G.N Number 10361 on 20.11.1987
4. Exemption Under Method 14, Planning Method (Development), 1970 based on P.U (B) 397 on 12.09.1996.
5. Method (Planning) (Zone and Density) Federal Territory 1985
6. Planning Method (Development) (Amendment) (Number 2) 1994.

Kuala Lumpur city is synonymous to the term 'skyscrapers' because of the nature of its stratified developments. This has been the zoning and land use efforts of the Local Authority in promoting, adapting and developing Kuala Lumpur into a world class city. Strategies to uplift the quality of life in Kuala Lumpur were embedded in the policy which was enforced to encourage developers to build more low and medium cost housing as well as to enhance professionalism on entrepreneurship especially on providing services for health, hygiene and other services. There are ten developments which prove that Kuala Lumpur city is already prepared for the next 20 years. The strategy is to improve working environment and lifestyle, develop international zones, implementation on comprehensive areas, encourage development in rural areas, redevelopment of historical areas, complete city interaction, giving priority and incentives to the developments near transit terminals, ensure the facilities provided are functional, improve development at appropriate areas and improve the development at main major entrances.

In addition, Yiu et. al. (2005) comes out with framework for property management (figure 4) which can be implemented in Malaysia to enhance governance level for the city of Kuala Lumpur.

Nevertheless, good strategies without good and proper implementation will desecrate all concerted efforts contained in the documents of strategy. Thus, good governance will play a major role for local authorities in ensuring good planning and consequently, good implementation.

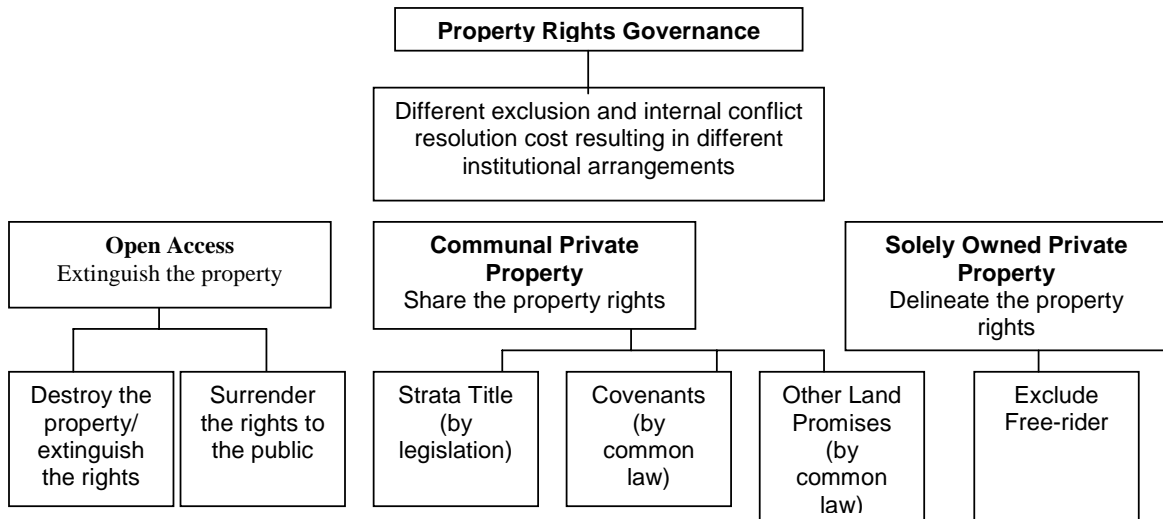


Figure 4: A Framework for Property Management (Yiu et.al, 2005)

## 7.0 Organisation Structure and City Governance

Much research conducted by developed nations focused on city governance performance in relation to the organisation structure of the city authorities. Elements include their bureaucratic and hierarchical nature which reflects much on the scope of authority or autonomy and the system of supervision and subordination of the local authority (Weber, 1996). The rating of the effectiveness and efficiency of the local government include the expertise of human resources, the accountability and the public understanding on the complexity of the services provided by the local government (Weber, 1996). Bureaucracy has an important role play and is capable of affecting the productivity of the local authority as a whole. As a hierarchical organisation grows, more and more intermediary layers must be crated to keep this span of control within reasonable bounds. Generally common characteristics of local authorities in Malaysia are shown in Figure 5. When tasks and structure remain vague, it is difficult to know what to do in order to be competent. These conditions could produce a lot of uncertainty for the local authority members. This could also pose significant problems in administrative capacity as well as reduce understanding of the public on the autonomy and priorities of each department in the local authority. Efficiency gains are through task specialisation that should be accurately quantified, so that such gains (specialisation) and availability of expertise will balance out the losses of hierarchy. Therefore, this paper has included the entire essential as an indicator for an ideal organisation structure, known to be important for efficient and effective city governance.

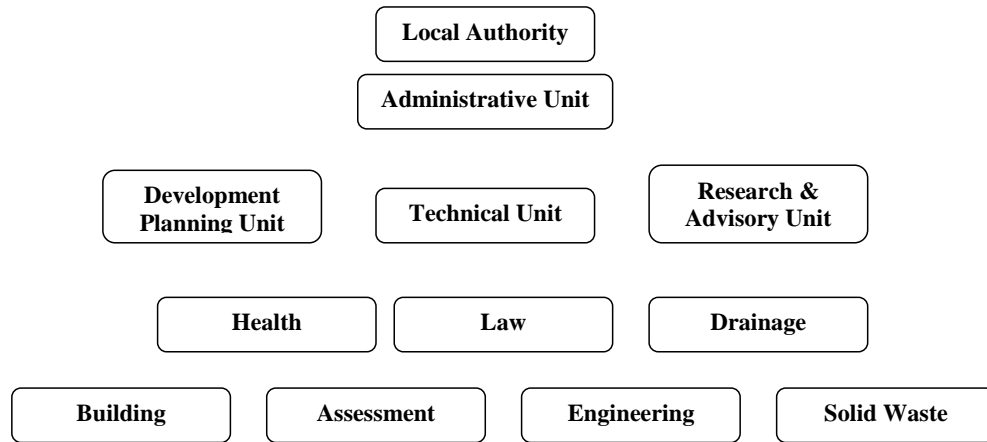


Figure 5: Common Organisation Structure of Local Authorities in Malaysia

Generally therefore, the overall performance of city governance is strongly impacted by the bureaucracy, efficiency and effectiveness of the organisation structure of the local authorities. A well layered hierarchy will result in better services in the form of task specialisation, higher functionality and vast range of expertise. Bureaucratic procedures move at a faster pace as civil servants interact closely with the business community and expedite the official processes. The civil servants understand as much as the businessman that time means money and that impediments to the economic growth of the country would cost the civil servants as much as the business people.

## 8.0 Tax Implications on City Governance

A tax is a financial charge or other levy imposed on an individual or a legal entity by a state or a functional equivalent of a state, for example, municipalities. In any country taxes may be defined as a pecuniary burden that lay upon individuals or property in support of government for services and infrastructure provided. Thus, we define tax as levy imposed by any legislative authority as an imperative contributory factor for governance. In our literature research survey, tax structures and incentives levied by federal government are applicable throughout Malaysia, unless stated otherwise. With credit to the autonomy held by each state and local authority, however, all other tax rates are limited by Acts.

As real estate developers and investors venture into businesses, taxes are compulsory where they may face complex tax issues that can strain resources and drain profits. For instance, in Malaysia, companies providing management services, including project management and coordination services having an annual sales turnover of RM150,000 and above will have a 5% tax accrued to the government.

The current corporate tax imposed in Malaysia is at 28%. This actually means that the government has a 28% share in the companies. Clearly the governance stands to gain by helping the private sector to succeed. But impartiality must be maintained because as far as the government is concerned, whichever company makes the profit the government will still earn its 28%. In Malaysia, tax incentives are often offered to assist businesses to succeed and to lessen the burden of investors. These actions will increase trading activities which in turn will result in increase in government's revenue.

In assessing tax as an element of city physical, 4 types of taxes have been screened which include stamp duty (federal government), quit rent (state government), assessment

rate and development charge (local authority), where all are commonly chargeable to developments.

## **9.0 Website Transparency, Competitiveness and City Governance**

Kuala Lumpur as a major city in Malaysia uses e-government applications to improve internal efficiency, delivery of public services and democratic city governance. The DBKL uses the website as a medium to show and publish their information which includes their role, statutes, policies and regulations, and services and development of the city. The website plays a role in developing good city governance. The good websites in the e-government concept are able to provide visual transparency of data and information about the government's current condition. Moreover, it will also contribute towards the accuracy of data. Therefore, the website is one of the major elements in city marketing as well as city engineering. Good websites can be determined by their contents, i.e. if they publish the complete data that people need to know. A good website has a main page of the organisation, site map to guide visitors to explore the website, customer services, corporate content to introduce the organisation, links to other websites or portals, galleries, contact, network, guest book, guidelines and profile. Each criterion has the sub elements to describe the credibility and efficacy of the content and purpose of the portal, website and e-government system. The criteria are as follows:

- i. Accessibility
- ii. Speed & bandwidth sensitivity
- iii. HTML quality
- iv. Navigation & links
- v. Legality
- vi. Graphic design
- vii. User friendliness
- viii. Aesthetic & beauty
- ix. Alignment & layout
- x. Integration
- xi. Purpose
- xii. Human interactivity
- xiii. Information process
- xiv. Verbal expression
- xv. Attention to detail
- xvi. Innovation & lateral thinking
- xvii. Creativity
- xviii. Technology
- xix. Distinctiveness

## **10.0 Physical Built Environment and City Governance**

The quality of urban management will become a more important determinant of city competitiveness, particularly in mature cities. Cities will be making substantial efforts to improve their urban landscapes and their cultural and entertainment offerings, recognising that they are key ingredients to retain and attract footloose well-educated knowledge workers, as well as stimulating tourism. Public awareness of environment and social issues result in increasing pressure for government regulations and will encourage changes in corporate behaviour. The real estate sector has a fundamental role in shaping and developing the competitive city. This involves the delivery of an attractive and efficient built environment for investors, corporate occupiers and residents, and by representing the 'city vision' through iconic buildings. The real estate industry is not simply a passive 'consumer' of public policy and regulations, but rather it is an influencing

partner in the decision-making and implementation processes that are focused on creating a favourable built environment. The physical environment can be used effectively as an asset to promote the city internationally, but only when it reflects the current as well as future city offerings. Analysing strategies and comparing best practice is a fundamental aspect of building a competitive city offer. Generally in Malaysia, the Department of Environment (DOE) controls all the states in the country in regards to any environmental issue. The functions of the DOE include enforcement and implementation of acts and policies in regards to environmental protection measures; assess environment input for major development projects through EIA and implement educational programmes and environmental awareness.

Good city governance can be determined by the investment attraction and the city's competitiveness (JLL, 2004). This could be reflected on the visual and sensual aspect of the city. Kuala Lumpur possesses a better visual and sensual aspect of cityscape compared to other cities in Malaysia due to well planned town planning and landscape. This in turn has attracted more enthusiastic investors to invest in Kuala Lumpur. Infrastructure comprises the basic facilities, services, and installations needed for the functioning of a community or society such as transportation and communications systems, water and power lines, stadiums, public parks and so on which are provided by local authorities. The bottom line of the infrastructure needs constitute a larger portion by transportation. The institutional structure responsible for urban transportation within Malaysia is divided between federal departments and local councils (Table 1). The local councils' Urban Transport Department is entrusted with wide ranging coordination and administrative functions for the planning of urban transport in an effective manner. The federal government deals more with nationwide transportation plans, policy guidelines and matters concerning overall transport administration and planning. Therefore, the good infrastructure must have these criterions:

- i. Ability to meet local capacity  
The supply of infrastructure shall be appropriate to the public needs and capacity
- ii. Ease of use  
Infrastructure provided at high level of accessibility for the common use of the public
- iii. Fair benefits for all  
Infrastructure provided at high level of flexibility for the common use of the public
- iv. The effectiveness and efficiency of management of the infrastructure  
One of the factors defining a good infrastructure is identifying the effectiveness and efficiency of local authorities in managing and monitoring the infrastructure.

Infrastructure is one of the many elements contributing to ideal and good governance. Kuala Lumpur being the heart of Malaysia has a road network leading to the rest of Peninsular Malaysia. In ensuring efficiency of the city, DBKL has implemented an Integrated Transport Information System (ITIS) which enables DBKL to constantly update and relay traffic information such as road congestions, ongoing road construction, flooding or incidents on the road to the public and vice versa, CCTV and other traffic monitoring devices. Further enhancement on its governance of infrastructure is the pedestrianisation project of the city centre which has continuously been implemented in all major urban centres as part of efforts to upgrade the urban transport environment thereby affording ease of use to all city-dwellers. The priority areas are linkages between public transport facilities and commercial zones. To achieve this, DBKL has implemented various measures to further improve the pedestrian environment including the upgrading of footpaths, pedestrian bridges, signage, lightings and provision of street furniture in selected areas, in addition to flyovers which provide for pedestrians' safety.

Table 1: Urban Transportation – Federal and Local Governments

Federal Government/Local Government Tier	Departments Related to Transportation
Prime Minister's Department	Economic Planning Unit Federal Territory Development and Klang Valley Planning Division
Ministry of Home Affairs	Royal Malaysian Police
Ministry of Works	Public Works Department Highway Planning Unit Malaysian Highway Authority
Ministry of Transport	Road Transport Department Department of Railways Railways Asset Corporation
Ministry of Entrepreneurs Development	Commercial Vehicle Licensing Board
Local Councils	Urban Transportation Department Public Works Department Enforcement Directorate

## 11.0 Conclusion

This paper attempts to explore the concept of city governance in terms of real estate global competition. From the findings, it can be concluded that the engineering and physical aspects of cities play an important role in establishing good city governance. The framework of city governance is outlined in this paper that would enable Kuala Lumpur to take part as a competitive city in comparison with other cities in the world. There must be strong correlation between the two variables of city engineering and city physical. For the engineering aspect, elements comprise the environment, data transparency through ICT application and infrastructure which have become the gist of marketing methods to promote the city. Thus, city engineering impacts the city to market itself through strong administration, commercial, socio-tourism, economic and political aspects. In the physical aspects of the city, elements known to be imperative are spatial planning and strategy effectiveness and efficiency of the city authority, tax structure, and rules and regulations. With regards to the uniqueness of the nation, the physical aspects of the city are very much related to uniformity of legislation, and autonomy in planning and enforcement by the local authorities. If the engineering and physical aspects of the city experience simultaneous growth, then this will lead to greater efficiency in governance. If, however, one of the aspects is lacking, the development of city governance will still be in an increasing manner but it will certainly consume a longer period of time. Kuala Lumpur is a city which possesses a balanced mix between both physical and engineering aspects for the development of good city governance to meet aspirations to become a world class city. To obtain this status, the aforementioned attributes for good city governance can be used as a guide with the survey conducted by Jones Lang La Salle as a benchmark but with some modifications to suit the local environment.

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