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ABB may want Govt to stand as guarantor

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MAIN contractor of the massive Bakun Hydroelectric project Asea Brown Boveri may want the Malaysian Government to stand as guarantor for the payment of the engineering, procurement and construction (EPC) contract worth RM13.05 billion.

Industry sources said ABB wants the Government to give some form of guarantee in the event that main developer Ekran Bhd is unable to satisfy the payment.

However, the source said this may be unlikely to happen as the Bakun dam is a private project.

The EPC contract is for the implementation of one of Malaysia's biggest projects on a turnkey lump sum price of RM13.05 billion.

ABB, according to the source, has doubts that Ekran will comply with its side of the contract and is seeking ways and means to ensure that it is not placed in a precarious situation with regards to the project.

This presents another twist to the dispute between Ekran and ABB. Reports so far have highlighted Ekran's grievances on the agreement between both parties, specifically with regards to cost overrun and subcontracts.

At present the language in the contract, which stipulates that in the event of any cost overrun ABB is able to claim from Bakun Hydroelectric Corp (BHC), is being thrashed out.

Ekran executive chairman Tan Sri Ting Pek Khiing has stressed that such a clause does not protect the interests of BHC shareholders and should therefore be amended.

He is of the opinion that any cost overrun, beyond the cost that has been fixed, should be borne by ABB and the existing agreement which runs contrary to this merely favours a single party.

ABB is, however, not too keen to amend the project as it too needs to protect its interests.

According to the contract, ABB was expected to commence work not later than January 1 this year while the initial operation date and the commercial operation date are not later than October 31 2002 and August 31 2003 respectively.

However, ABB has been unable to commence work as the river diversion tunnel undertaken by South Korean firm Dong Ah Construction Industrial has yet to be completed due to several reasons, including earth movements.

Unfortunately, events such as earth movements during the river diversion process were not anticipated by geologists, said the source, adding that this has led to the delay on ABB's works which is beyond its control.

It is understood that this is one of the reasons ABB is not too keen to amend the contract as it does not feel it should bear any cost overrun due to delays not caused by ABB itself.

It is further understood that the Economic Planning Unit has had several meetings to discuss the disputes at hand and how to resolve them. Currently, there seems to be no indication on how long it would take for the differences to be settled.

Ting is not confident that it will be resolved by next week.

He has even said that if the problem persists, there may be considerations to withdraw the EPC contract from ABB.

Prime Minister Datuk Seri Dr Mahathir Mohamad has also said that if Ekran and ABB consortium cannot resolve their differences, "we will have

to break the contract".

The project involves the construction of the largest hydroelectric power plant, with an installed capacity of 2,520mW in Sarawak and power transmission comprising approximately 670km of submarine cables connecting the hydropower plant to Tenaga Nasional Bhd's transmission system in Peninsular Malaysia.

Ekran stock yesterday shed 12 sen to close at RM4.88.

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