

01 AUG 1997

BAKUN AGREEMENT NEEDS REVIEW

By: Siti Hawa Othman

KUALA LUMPUR, Aug 1 (Bernama) -- Certain clauses in the Bakun dam project agreement needed to be renegotiated and for Asea Brown Boveri Ltd to agree to them or it may risk the possibility that some other party may take over the construction of the project, an industry source told Bernama.

The source contended that the major dispute between Ekran Bhd, the project manager, and ABB, the major contractor, revolved around the claims for cost overruns and nothing else.

Work on the project is still in progress, including the river diversion.

Although the problem had long been discussed by Ekran and ABB over the past six months, the source said there are suggestions that ABB is not satisfied with the current state of negotiations.

A spokesman from ABB, when contacted by Bernama, maintained the company's stance that, as the main contractor, it would not make any comments publicly while discussions are ongoing.

"We regard the discussions with our customer as being confidential," he said, adding that he hoped the problem would be resolved at their next meeting.

Ekran's executive chairman, Tan Sri Ting Pek Khiing, was reported as saying during the July 24 meeting that another meeting between both parties would be held in two weeks.

Ekran holds a 32 percent stake in project developer Bakun Hydro-Electric Corporation Sdn Bhd (BHEC) while the ABB-CBPO consortium is the engineering, procurement and construction (EPC) contractor for the Bakun dam.

The ABB-CBPO Consortium comprises ABB Belaga Transmission Sdn Bhd, ABB Power Generation Sdn Bhd and CBPO (Malaysia) Sdn Bhd. ABB BT and ABB PG are subsidiaries of Asea Brown Boveri Ltd while CBPO is a subsidiary of Companhia Brasileira de Projectos e Obras (CBPO).

Bakun, being of great national importance, would be greatly affected by any delay, especially in terms of costs, but another source said both parties would take some time before reaching a compromise.

Also, things about "oversight" in granting the agreement as well as the prospects of having to change contractor, he said would not look good on the government.

Prime Minister Datuk Seri Dr Mahathir Mohamad yesterday was reported as saying that there was a possibility that the government might step in if both parties could not reach an agreement.

Worse still, there was also a possibility of breaking the contract and hire a new contractor should a deadlock arise.

Based on the existing agreement, any cost overrun is borne by BHEC and not ABB, said Ting.

He told reporters yesterday that there were points in the contract which tended to favour a single party because ABB was able to claim overrun costs exceeding the worth of the contract.

When asked on the scale of the cost overruns, the source claimed that it must be sufficient enough to call for a review.

As for the possible project candidates if the existing main contractor is left out, the source said it could probably be those who had submitted bids at the tender stage, most of them being consortia comprising both

local and foreign companies.

While Ting wants to make sure that there is a fair deal and that Ekran and other shareholders have control over costs, ABB wants to have a free hand in giving out the sub-contracts.

Ting maintained that 40 percent of the sub-contracts are to be given to local companies of which 240 had already registered.

"From the looks of it, Bakun is not a turnkey project," another source said, adding that under a turnkey project, the contractor will have to guarantee that there is no cost overruns.

"But how to guarantee if ABB does not have the control and the freedom to award the sub-contracts?" he questioned.

The proposed RM15.5 billion Bakun hydroelectric dam project covers 69,000 hectares, an area said to be bigger than the size of Singapore. --

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