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PM: We may have to break Bakun dam contract (HL)

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KUALA LUMPUR, Thurs. - Prime Minister Datuk Seri Dr Mahathir Mohamad said today that if Ekran Bhd and Asea Brown Boveri consortium could not resolve their differences, "we will have to break the contract".

"We will try to find a way ... but if worse comes to worst ... we'll have to break the contract," he said.

Dr Mahathir was responding to a question from the Press on a dispute between Ekran, the main proponent of the RM15 billion Bakun hydro-electric dam project, and its contractor ABB, which has caused construction to be behind schedule.

He was asked whether Ekran and ABB had been trying to resolve the problem for the past six months.

"Yes, they have been trying but they cannot agree. If they cannot agree, the Government will come in."

On whether he had any ideas how the problem could be resolved, the Prime Minister jokingly said: "I have plenty of ideas, but I won't tell you."

Asked whether there was a possibility the contract would be terminated and a new contractor hired, he said:

"There is a possibility ... if worse comes to worst, if there is no way to carry on, we will have to break the contract."

Dr Mahathir was speaking after launching the Indy 40 Enduro go-kart race, which will be held in Langkawi on Aug 30, at the Regent Hotel.

He also received the challenge trophy - the Prime Minister's Cup - from Italian manufacturer CRG.

Deputy Prime Minister Datuk Seri Anwar Ibrahim had on July 15 said the construction of the dam was behind schedule due to a dispute between Ekran and ABB.

Describing the row over the engineering, procurement and construction contract as critical, he said both parties were supposed to sit down and discuss the terms and provisions of the agreement.

Ekran chairman Tan Sri Ting Pek Khiing had denied that there was a dispute, saying it was only "some small matters waiting to be sorted out".

Yesterday, speaking to reporters on the final day of the Third Langkawi International Dialogue, Ting admitted that the dispute was over the disagreement on the cost overrun above the stipulated worth of the project which could be claimed by ABB.

He said there were points in the engineering, procurement and construction contract that ABB was able to claim cost exceeding the worth of the contract and this only seemed to favour a single party.

Therefore, based on the existing agreement, any cost overrun should be borne by Bakun Hydroelectric Corporation and not ABB, Ting said, adding that the issue was raised six months ago.

He said there was a need to alter the wording in the agreement so all parties could benefit through a "win-win" situation, adding that if there was indeed a cost overrun, it should be borne by ABB.

Bakun Hydroelectric Corp and ABB had met on July 24 to try to resolve the dispute.

Speaking after that meeting, Ting, who is also Bakun Hydroelectric Corp chairman, said there would be another meeting in two weeks.

Ekran holds the largest equity in Bakun Hydroelectric Corp with 32 per cent, followed by the Sarawak Government (19 per cent) and the Sarawak Electricity Supply Corporation (nine per cent).

Tenaga Nasional Bhd, the Malaysian Government through Khazanah Nasional Bhd and the Employees' Provident Fund each has five per cent in Bakun Hydroelectric Corp.

The balance of 25 per cent has been allocated to the Malaysian public (15 per cent) and domestic and foreign institutions (10 per cent).

Dr Mahathir said there was dissatisfaction over the terms of the contract.

"According to Ting, it (the terms) favours ABB too much. So, we will study why it seems to be so ... we will find a way out."

If the terms, he said, were shown to be grossly unfair, "we will have no choice".

"But whether it is grossly unfair or not, we will have to study it," said Dr Mahathir.

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