

DAP slams unprecedented 6% fee for MRT partner

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DAP has slammed the MRT project for ballooning project costs of at least RM1.08 billion, due to the "unheard of" 6 percent project delivery fee promised to Mass Rapid Transit Corporation (MRTC).

Party national publicity secretary Tony Pua said more importantly, various other provisions in project delivery partner (PDP) agreement between MMC Gamuda KVMRT (PDP) Sdn Bhd and Mass Rapid Transit Corporation Sdn Bhd appear to be crafted "with incentives to inflate" the project costs.

"Critically, not only has the PDP contract been awarded with no open or competitive tender, the structure of the agreement is such that the overall cost of the project is incentivised to be inflated," said Pua in a statement today.

He was commenting on parent company Gamuda Bhd's announcement to Bursa Malaysia last Friday on the execution of the PDP agreement, with regards to the Klang Valley Mass Rapid Transit Project - Sungai Buloh-Kajang line (KVMRT-SBK).

"Assuming the 'successful' delivery of the KVMRT-SBK within the agreed target cost, MRTC shall be paid a fee which is equivalent to a 6 percent fee of the aggregate of all the awarded works contracts.

First of all, a 6 percent project fee is almost unheard of in a project of this scale," said Pua in a statement today.

He estimated that the fee would cost up to RM1.08 billion based on the expected overall project cost of RM18 billion.

"This fee will only be reduced if the PDP wins the tender for the underground tunnelling works – in which case the value of the tunnelling works will be excluded from the calculation of the fee," he added.

No incentive to cut costs

Pua, who is also PJ Utara MP explained further that the 6 percent fee gives MRTC little incentive to recommend the lowest bidder for various project tenders.

"The simple reason is that the higher priced ones will translate into a higher fee for the PDP given the fixed 6% structure," he said.

The MP added that the PDP will receive separate reimbursements amounting to RM2.85 billion, bringing the grand total up to RM3.93 billion for MRTC's role as project manager.

These are for "overheads, fees for engineering consultancy, quantity surveyors and system integration works and fees for site investigations and topographical survey" said Pua.

Adding to the tab, he said, was that MRTC has negotiated into its contract a 15 percent "allowed contingency" despite the fact it has a contractual obligation to bear any cost overruns for the project.

"This means that if the cost of the overall project were to increase by up to 15 percent, the PDP will still collect every sen of its fee, including a 6 percent of the 15 percent "allowed contingency".

"A 15 percent variation based on a RM18 billion project value for the SBK line would be a possible cost increase of up to a massive RM2.7 billion, without penalty to the MMC-Gamuda joint-venture," said Pua.

Pua blamed the government's "recklessness" for the situation, and for awarding the contract to MRTC

“before the fee was even agreed upon” leaving it no room to negotiate more competitive terms.

“Any ordinary man on the street will know that it is ridiculous to ask a contractor to start the kitchen renovation without first agreeing to the cost,” quipped Pua.

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