

The MRT Recipe For Overpaying: Award Contracts First, Decide Fees Later
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The MRT, which is estimated to cost in excess of RM53 billion by CIMB Research is by far the country's largest ever infrastructure project.

The Government Transformation Programme (GTP) launched by the Prime Minister, Najib Abdul Razak himself, and promoted by Pemandu, quoted PEMUDAH which estimated that corruption could cost Malaysia as much as RM10 billion a year, "when business decisions are made for the wrong reasons."

As one of the key measures to tackle corruption, the GTP specifically sought to "reduce leakages of funds allocated for national development and operational expenditure and ensure transparency in the award of contracts."

The GTP even quoted a 2007 Survey by Merdeka Centre which revealed that 71% and 54% of corporates and public respectively perceives "no transparency and openness" in "the current procurement process or system used for awarding major government projects".

Hence the GTP called to "disclose details of government procurement contracts" and recognises the role of public scrutiny to increase accountability and reduce corruption and wastage.

It is well established that transparency is crucial for a fair and efficient government procurement process. This is because transparency increases public scrutiny on the procurement process and helps ensure that accountability and well-defined policies, regulations and procedures have been put in place and followed closely...

People in both public and private sectors are particularly sceptical of unnecessary projects, award decisions that are not made public or sufficiently justified, project delays, contract variations and concealment of substandard work. (GTP pp133-135)

However, the opaque and obtuse management of the RM53 billion MRT project has proven beyond doubt that Najib's administration is "all talk, and no action".

In the written parliamentary reply to me for my oral question on the Gamuda-MMC "project delivery partner (PDP) contract" on 6 April 2011, the Prime Minister confirmed that the contract has been awarded with no price fixed despite claims that the PDP will bear all cost-overruns on the MRT project. It is an oxymoron for Najib to argue that the PDP will bear all cost-overruns when its own project contract value has yet to be finalised, and may be increasing as we speak, as the cost of the MRT project has already ballooned from a budgeted RM36 billion to now, an estimated RM53 billion.

And as first exposed by The Malaysian Insider, initially denied but now admitted by Syarikat Prasarana Negara Bhd (SPNB), the Government's wholly-owned vehicle to own the MRT project, an "Independent Check Engineer" (ICE) role has been awarded to a consortium led by HSS Integrated Sdn Bhd (HSSI) in a cloak and dagger fashion.

When The Malaysian Insider first exposed the award on 15th April, SPNB Group Managing Director, Shahril Mokhtar immediately refuted the report, claiming that "the appointment of the KVMRT ICE is not finalised. Speculation of the ICE fee quantum at this point will only

jeopardise our ability to negotiate competitive fees from the ICE candidates.

However, Syarikat Prasarana Negara Berhad (SPNB) group director for project development Zulkifli Yusoff admitted that an engineering consortium led by HSSI has been on board as an independent check engineer (ICE) since February, clearly contradicting SPNB's initial response.

What is perhaps of greatest concern to Malaysian tax-payers is the fact that while an ICE should not have an existing relationship with the parties managing the project to ensure independence, HSSI has been the contracting engineers for Gamuda's double-tracking projects. Furthermore, the speculated 2% consultancy fee on the cost of the entire project, which has yet to be finalised, is substantially above market rates, understood to be in the region of 0.8%.

Based on the above, assuming a RM50 billion project cost, the HSSI consortium will pocket RM1 billion in fees, RM600 million more than the estimated market rate of RM400 million. It also appears that while the Gamuda-MMC joint-venture is meant only to be a "PDP" and all projects are to be awarded by SPNB, the PDP gets to dictate who gets the contracts for the project, signalling the commencement of crony contract awards for the MRT project.

The above clearly makes a complete mockery of Najib's so-called reforms via the GTP, and raises the question of how much the Malaysian tax-payers will be over-paying for the MRT project. Given the nature and size of the project, PEMUDAH will need to come up with new and higher estimates on how much corruption and government wastage is costing our economy.

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