

MRT Corp: MMC-Gamuda PDP deal will not bloat MRT cost
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By Clara Chooi

KUALA LUMPUR, Feb 24 — MRT Corporation today denied suggestions that MMC-Gamuda would select higher tender bids for the Klang Valley MRT to increase its fees, insisting that the consortium was contracted to deliver the multibillion ringgit rail project within its targeted cost.

Under its project delivery partner (PDP) agreement, MRT Corp chief executive officer Datuk Azhar Abdul Hamid (picture) explained today that MMC-Gamuda would be held liable for any cost overrun and delay that may occur during construction of the line.

He refuted claims that the 15 per cent contingency cost to be included in the project's total targeted cost meant that the PDP would be allowed to inflate the MRT's construction bill by the same 15 per cent, without incurring any penalty.

"Understand this — at the end of this year, there will be a cost to the project.

"If the project costs more than that, the PDP will be penalised as far as their fees are concerned because this is one of their two major KPIs," he told a press conference at his office today.

MMC-Gamuda's two KPIs are — to deliver the project on time and to deliver the project within cost.

"I think they are taking this very seriously," he said.

Under MMC-Gamuda's PDP deal with the government, the consortium will receive a fee of six per cent of all packages tendered out for work on the MRT's Sungai Buloh-Kajang line.

According to a Bursa Malaysia filing made by Gamuda Bhd on recently, the MRT's target cost, which Azhar said should be ready by year-end, comprises the value of all awarded works packages, a 15 per cent contingency amount and reimbursables to MMC-Gamuda.

"This 15 per cent... like in any other contract, whether infrastructure or not, there is always a contingency. It is not an allowed cost.

"Meaning, if you want to use the 15 per cent, it must be agreed on by MRT Corp. So, it is not a given," he said.

DAP MP Tony Pua had last week criticised the 15 per cent contingency cost, claiming it would "incentivise" MMC-Gamuda to inflate the project bill as it was allowed to incur RM2.7 billion in extra costs without penalty, based on the RM18 billion projected value of the SBK line.

"Despite the supposed role of the PDP having to bear any cost overrun for the KVMRT, the PDP has managed to negotiate into its contract a 15 per cent 'allowed contingency'," Pua

had said in a statement.

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

But Azhar insisted today that the procurement process for MRT project works would follow a "strict tender process" to ensure that the best value is obtained.

He explained that all awards are decided by a "one-stop procurement committee", which is chaired by three different individuals according to value — Finance Ministry secretary-general (for projects worth up to RM50 million), second finance minister (up to RM300 million) and the prime minister (above RM300 million).

Azhar insisted the PDP concept was the best way forward to help the government minimise any risk to its coffers as it relegates some of the burden to the private sector.

"If you compare with simple project management agreements, usually, the contractor comes in and builds whatever you want and then goes away... and the government is just left with the liability of quality and also anything that goes financially wrong," he said.

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