



PRESS STATEMENT

28 March 2011

Dear Editor,

**THE ADVANTAGE OF A PROJECT DELIVERY PARTNER MODEL FOR THE
KLANG VALLEY MRT PROJECT**

I read with some interest the comments made on the appointment of the Project Delivery Partner for the KVMRT project. Allow me to clarify some points about the concept and role of the PDP.

It is currently a common practice around the world, for implementation of “big and complex” projects, to use experienced contractors as the Project Managers to ensure reliability of delivery and cost control. This is especially relevant for project owners who have not built up internal capabilities to manage large complex projects. Compared to the traditional practice of using an engineering consultant as the PMC (Project Management Company), an experienced contractor such as a Project Manager can offer significant benefits, namely:

- a) better competency in commercial procurement strategies;
- b) highly developed skills interfacing and coordinating many different contractors;
- c) strong tender management and award skills;
- d) well-developed supply chain management skills;
- e) sufficient balance sheet strength to take on the risk of cost overruns and delays;

Examples of where the Project Manager model had been adopted in many projects globally are:

- the Crossrail Project (USD12bil) Bechtel/Systra
- London Olympics (USD10bil) Laing O’Rourke (UK)
- Korea High Speed Rail (USD16bil) Bechtel/Hyundai JV
- Channel Tunnel Rail Link (USD11bil) Bechtel (USA)
- Qatar Bahrain Causeway (USD6bil) Vinci (France)
- Moscow Airport (USD11bil) Bovis Lend Lease (UK)

The size and complexity of the Klang Valley MRT (KVMRT) project carries with it significant risks of delays and cost overruns. To protect the public interest, the Government has planned to take the delivery risk (time and cost) out of the project. The PDP concept is merely an enhancement of the project manager role with certain built-in incentives and penalties that are designed to align the interest of PDP with the Government during project implementation.

In the case of the PDP, the risk of delays and cost over-runs is now borne by the PDP for a fee. The PDP provides a single point of accountability to deliver the entire project within agreed time and cost targets, or face financial penalties, something a pure engineering consultancy has no financial capacity or management capability to bear.

As risk takers, it is consistent and crucial that the PDP, as the party that is responsible for the overall health of the project, be vested with the necessary authority to carry out its responsibility of managing all aspects of the project including packaging of works, calling for tenders, evaluating the bids, recommending the contractors and jointly awarding of contracts and ensuring the performance of each and every contractor appointed, even the powers to step-in and take-over delivery of contracts that are behind schedule where necessary to



ensure targets are met. All these are done within agreed guidelines and in consultation with the Government and the Government's appointed VMS (Value Management Study) Consultant who will scrutinize project plans and specifications to ensure optimum value and cost efficiency. The Independent Checking Engineer (ICE) will then scrutinize and verify to ensure the work is delivered according to plans and specifications. Ultimately, the Government will have the final say.

There have been different opinions that the PDP could have an unfair advantage in bidding for the tunneling works. It is the intention of the government that all works packages will be subject to competitive bidding. All bidders will be given the same project information and evaluated on the same basis, i.e. technical, track record and financial terms.

It is also important to note for the tunneling works, the overall project management, design, evaluation and recommendation of the bids will be done by an independent project manager and the Government. If the PDP bids, it cannot be part of the evaluation committee. The PDP would have the opportunity to bid as it is the only Malaysian group with the expertise and track record to do so. To bar the PDP from bidding, though it has the capability, would mean that only foreign contractors will be involved, which is not necessarily in our national interest.

Allow me to reiterate the Government's commitment to closely scrutinize the costs and delivery of this crucial national infrastructure project for the benefit of the Malaysian public. Any feedback can be emailed to feedback@kvmrt.com.my.

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CEO, SPAD (Land Public Transport Commission)

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