

Moving on from klia2 saga



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Bina Puri — looking beyond klia2

With klia2 up and running, its controversies are slowly fading into the past to the relief of Bina Puri, who feels much of the blame for the airport's issues had been unfairly thrown at it. KiniBiz talks to the contractor on moving on from the whole episode. We also look at Bina Puri's long-standing issue of razor-thin margins as well as what lies ahead for the construction player.

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While Bina Puri had been getting a great deal of bad press from klia2's delays, some of the blame had been unfairly laid at its door, said the company. KiniBiz talks to on the relief of putting the whole episode behind now that klia2 is up and running.

Ten days on after AirAsia and AirAsia X began operations at klia2 on May 9, bringing the curtains down on the Low Cost Carrier Terminal (LCCT)'s roughly eight years of operations, the controversy surrounding klia2's delays, cracks and cost overruns, while not forgotten, are increasingly distant now.

It would be a relief for Bina Puri Holdings Bhd, who along with its partner UEM Construction (UEMC), a unit of UEM Group, had arguably been the public face of the delay on the contractor side, taking many punches even for issues beyond the areas they were mandated to do.



Matthew Tee Kai Woon

“Yes for sure (we are relieved),” said Bina Puri executive director Matthew Tee Kai Woon to KiniBiz recently. “It has been like a dark cloud hovering over us as there were lots of misinformation projected on klia2 which made it scandalous for all the wrong reasons.”

Bina Puri is a 40% partner in the UEMC-Bina Puri joint venture mandated with the design, construction, commissioning and maintenance of klia2’s main terminal building, a satellite building, a sky bridge and piers — the contract was worth RM997 million.

Apart from the UEMC-Bina Puri JV as the turnkey contractor, other contractors also involved in klia2’s construction include Gadang Holdings Bhd and WCT Bhd who built the earthworks; KUB Bhd which built the runway; Eversendai Corp Bhd which handled structural steel works for klia2’s contact piers; as well as two other private companies — Berjaya Land unit Cergas Jati Sdn Bhd and Japan’s Nippon Road (M) Sdn Bhd, the latter building klia2’s aprons.

Speaking to KiniBiz Tee said the problem was that certain news reports on various issues with klia2’s construction neglect to mention specific contractors for any particular part being examined. Instead the UEMC-Bina Puri consortium surfaced time and time again, even for issues not part of their mandate such as reports on cracks in the parking apron.

“(These reports) only mention Bina Puri and UEM,” said Tee. “So public perception was it’s all Bina Puri and UEM when other contractors were also involved.”

Not worried about LAD



However there is still the matter of the liquidated ascertained damages (LAD) which Malaysia Airports Holdings Bhd (MAHB) said it [will impose on the UEMC-Bina Puri](#) JV for failing to meet their completion deadline of June 15 last year.

“We are now proceeding to meet MAHB to discuss the validity of the LAD now that the airport is open,” said Tee to KiniBiz.

In a previous regulatory filing, MAHB said the LAD was imposed beginning June 16 at a rate of RM199,445.40 per day. As 320 days had passed since up to klia2’s opening on May 2, 2014, the total damages come to RM63.82 million.

Assuming Bina Puri and UEM will apportion the amount based on their JV equity, Bina Puri may have to pay RM25.53 million. Looking at its financials, it is a hefty amount for the company.

For FY13 Bina Puri posted RM13.88 million in pre-tax profit, translating into a net profit of RM5.47 million from its full-year revenue of RM1.05 billion compared to net profit of RM5.11 million, pre-tax profit of RM16.4 million and revenue of RM1.28 billion for FY12.

In terms of debts, Bina Puri had a total of RM1.15 billion debts in FY13, of which RM1.06 billion are short-term obligations.

Cash-wise, Bina Puri had a total of RM70.59 million as at end-December in cash, bank balances and fixed deposits. Paying RM25.53 million would cut that by more than a third.

But a company official said that Bina Puri is confident it will not be imposed with the LAD, saying that the delays were justified for as all the variation orders (VOs) that caused them were due to changes requested by the clients — which the company has documents to back. In turn the UEMC-Bina Puri JV is also seeking as much as RM200 million in valid VOs for additional works done for klia2.

“To us all the VOs, cost escalations are justified — there’s no hanky panky,” said Tee to KiniBiz, though he did not elaborate much on the LAD. “It’s not like we created RM200 mil of VOs (out of nothing), all are accounted for and justified.”

‘klia2 was nothing special’

In all this, however, Tee prefers to look on at the brighter side of things, saying that despite the controversy, klia2’s construction was nothing special when it comes to the project implementation side of it.



A natural extension of time is common in construction, said

Tee, as is clients changing their minds on certain aspects of the project as construction progresses, leading to as much as 10-20% in VOs per project. The result is that projects rarely finish on time, said Tee.

“To me (klia2 was) nothing special, it’s just the publicity with this project,” said Tee to KiniBiz. “It’s the same in every project — client pays, client pays, client approves the VO, client doesn’t approve the VO — but for klia2 it was just the sheer scale of it as a national project.”

Despite the bad press Bina Puri had been getting, Tee sees a silver lining as the whole episode had raised the company’s profile, saying the limelight on Bina Puri is good.

“Once I went to buy DVDs at Hartamas in my company uniform and seeing the logo even the DVD-seller asked me, ‘eh when is the new airport going to be ready?’” said Tee, laughing. “Everybody knows Bina Puri now.”

Overall for Bina Puri an airport project such as klia2 had a good experience, said Tee, describing the challenges to in its completion a one-off case. “We shouldn’t look at the bad things only, on the positive side we Malaysians tend to have short memory so the portfolio is good for us.”

Tee is confident that everyone will be happy with klia2 despite the controversies dogging the airport's five opening date changes throughout a two-and-a-half-year delay from its original targeted completion date.

"We have a shopping mall, a very comfortable airport unlike the LCCT," said Tee to KiniBiz, adding that it is an airport "that everybody can be proud of."

Tomorrow: Can Bina Puri grow its static profit margins?