

Newspaper : The Star
Date : 2nd July 2013
Title : KLIA2: Still up in the air
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Bina Puri Holdings Bhd
(207184-X)

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KLIA 2: Still up in the air

After the completion of the KLIA2 was delayed five times, many doubt that the new May 2014 opening date can be met. A StarProbe team found good reason for the scepticism. > See Page 5 for reports by ELAN PERUMAL and STUART MICHAEL



Inside: Exclusive photos of what's been done and what has not > See Pages 5 & 30

From : Group Corporate Communication Department
Date : 2th July 2013
Subject : Bina Puri News Update

The blame game of KLIA2

Parties argue over last-minute changes which are said to contribute to completion delay

By CHOONG EN HAN
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In the game of corporate "tai chi", or the skill to push responsibility over to another party, it is a never ending game.

Some have honed the skill to an art form. In the case of the public spat between Malaysia Airports Holdings Bhd (MAHB) and its KLIA2 main contractors, UEMC-Bina Puri joint venture, it is more than just finger-pointing. The spat has resulted in a RM60mil fine on the main contractors.

MAHB is pointing the gun at UEMC-Bina Puri for the delayed completion of KLIA2, which was due to the delayed works of the main terminal that currently stands at about 93%.

In turn, the main contractors laid bare the details of the delay which includes last-minute instructions by MAHB which were received from March to May 2013, which the main contractors deemed were given insufficient time to complete the works.

According to MAHB operations senior general manager Datuk Azmi Murad, the last-minute instructions are just minor changes needed by stakeholders, and this doesn't affect the completion date of the seven sectors of the terminal itself.

Among the requests are the addition of 45 more immigration counters, and additional ticket booths and counters.

"The instructions for the immigration counters are a valid point, and the contractors can apply for extension of time (EOT) to justify

The KLIA2 fiasco



> Adamant to defend its position to impose LAD on contractors based on contractual obligations.

> No cost overruns with KLIA2 capped at RM4bil.

> 17 out of the 51 packages are tied to the completion of the terminal causing delay in other packages.

> Backup plan to use existing Runway 2 to connect to KLIA2 terminal were dashed with the incomplete main terminal.

> Labels AirAsia's criticism of the KLIA2 delays as unfair given that requirements were catered for it.

> Appealing against the LAD fine totalling RM63.42mil

> Its works are not the only one behind schedule.

> Delay due to last minute instructions by MAHB and due to variation works over the baggage handling system and unexpected ground conditions.

> 93% of the physical works for the terminal completed. The 7% unfinished work to be done by year-end.

> Urges government to set up independent body to probe KLIA2 delay.

> Alleges that the cost of KLIA2 could reach the RM5bil mark.

> Dismisses claims that delay was caused by AirAsia's indecisiveness on the baggage handling system and aerobridges.

> AirAsia has been involved in a public spat with MAHB in 2011 over issues of airport charges, differences of opinion on the use of aerobridges and the length of the runway.

the extension. This may take only a further two to four weeks to complete, but does not justify an EOT for one year. The JV already has enough time to complete the works before June," he says.

He says the previous periods of extensions were not conjured up from thin air,

as all are mutually agreed and planned by parties involved including consultants, and the main contractors.

On Thursday in an interview with *StarBiz*, Bina Puri Construction Sdn Bhd director Henry Tee Hock Hin said the JV company would be appealing against the LAD, as

the delay was due to last-minute changes by MAHB. He also said there should be a design freeze on the terminal, but the main contractor had been very accommodative on the changes. UEMC-Bina Puri's work totalled about RM1.15bil out of the RM4bil projected cost of KLIA2.

UEMC-Bina Puri was given an extension before this to complete the terminal after MAHB accommodated AirAsia Bhd to change to an automated baggage handling system, that compelled the main contractors to dig an entire floor the size of a football field, hence the time completion was revised previously.

Besides the incomplete terminal, the taxiway and the new Runway 3 are also unfinished, which according to MAHB would not prevent KLIA2 from a delayed opening as it can direct air traffic to KLIA2 via the existing Runway 2, assuming if the terminal was operational.

First envisioned to become a low cost carrier terminal (LCCT) with a price tag of RM1.9bil, it has ballooned to RM4bil featuring state-of-the-art specifications. It is a LCCT but definitely not a low cost terminal. The grand launch planned to coincide with the 15th anniversary of the KL International Airport yesterday is just empty hope. Despite the perceived delays right now, MAHB and the main contractors are on common ground.

Both parties are of the opinion that the show must go on, and construction will still need to be completed.

With a timeline to complete physical works by November, and given another six months to secure the certificate of completion and compliance (CCC) and operational readiness and Airport Transfer (ORAT), KLIA2 looks set to open in May next year. But, a spanner could be thrown in the works if there are more delays to the other packages.

So who's to be blamed?



Part of the incomplete KLIA2 main terminal.

MALAYSIA Airports Holdings Bhd (MAHB) is adamant on its decision to slap the main contractor of KLIA2 - UEM-Bina Puri JV - with the liquidated and ascertained damages (LAD) fine.

MAHB operations senior general manager Datuk Azmi Murad tells *StarBiz* that the LAD has already been imposed and that the airport operator is just following the terms and conditions stated in the contract.

The airport operator has also issued a Certificate of Non-Completion to UEM-Bina Puri JV for its inability to complete its RM1.15bil worth of work by the approved

MAHB adamant about LAD fine

deadline of June 15.

"There have been numerous extensions of time (EOT) for the company, and the delay is not justifiable. We will have a discussion with the parties involved and they will have to apply for another EOT to justify the slow work progress," he says.

He adds that thus far, the company had not yet submitted any explanations over the delay.

It was reported that the delay was mainly due to the various design changes, including variation works on the baggage-handling system and unexpected ground conditions which required additional piling and temporary sheet piles.

MAHB's KLIA2 project manager Mohd Zaiuddin Idris says MAHB had highlighted in October 2012 that UEM-Bina Puri JV was not utilising enough workers for the fast-

tracked project, and that productivity was low.

"We have advanced monies, inclusive of RM89mil in variance orders, to the joint venture to complete the construction in November last year. But unfortunately, it couldn't stay on course. The board has capped the cost of KLIA2 at RM4bil, and so far, we have not reached that ceiling yet," he says.

He adds that at present, the total cost of KLIA2 stands at about RM3.75bil, with a little bit of headroom left for additional scope of work to be done.

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Bina Puri Holdings Bhd
(207184-X)



Not finished yet: The work in and around KLIA2 in Sepang is ongoing and some of the facilities need more time to be completed such as (left) one of the aprons and the interior of the complex.

New deadline another flight of fancy?

Many doubt KLIA2 contractors can meet next year's opening date after five delays

PETALING JAYA: A huge sign on the control tower of KLIA2 in Sepang proudly proclaims that it was constructed "in 10 months". However, the contractors apparently forgot about the rest of the project.

The completion of the airport has been delayed five times and many doubt that the contractors can meet the new opening date of May 2, 2014, as announced last month by Malaysia Airports Holdings Bhd (MAHB).

The Starprobe team which spent a week at the site found good reason for the scepticism.

Among the features yet to be completed is a 300m skybridge for pedestrians, the first of its kind in Asia.

Contrary to claims that construction had been sped up and was going on round the clock and seven days a week, the team found that work was actually being done at a normal pace.

It found that the pace was even slower on weekends with hardly any movement of machinery and few workers at the site.

The construction of the main terminal of the building appeared to be only about 60% completed.

The building will house the departure and arrival halls as well as the immigration checkpoints and a train terminal.

The internal roads linking the main terminal to the other parts of the airport have yet to be built.

The cost of KLIA2, which had started off with a price tag of RM1.9bil, has ballooned to RM4bil.

In June 2011, MAHB accused AirAsia, the main airline for KLIA2,



Seen from the road: A view of KLIA2's control tower from the new flyover heading into the new airport.

for the delay, citing the airline's request to raise passenger capacity to 45 million a year from the earlier planned 30 million.

MAHB said the low-cost airline had also declined to use aerobridges, citing high operating costs, and also decided at the last minute to switch from a semi-automated to a fully-automated baggage handling system.

It added that the realignments had pushed the completion date of the new terminal to April 2013. Early

this year, it was announced that KLIA2 would be launched on June 28.

Last month, MAHB announced the airport's fifth delay, with the completion date set for April 30 next year.

The main contractors, a UEM-Bina Puri joint venture, and the airport operators have also been blaming each other for the delay.

However, the team found that several key features of the airport had already been completed.

Among them are the KLIA2's control tower and the two ramps linking the airport to the KLIA extension highway.

Security checkpoints have been placed at the entrance and exit of the ramps to stop unauthorised vehicles from entering the construction site.

The construction of the runways along the aprons also appeared to have been completed with tarring having started on the runways.

According to reports, the initial

delay was caused by the alleged non-compliance to the standards required by LCCT.

MAHB has also been blamed for the delay since the project is entirely undertaken by the company.

According to an inside source, the work on the project was now taking shape at a faster rate than it was a few months ago.

He said the major issue with the project was the instability of the earth in the area.

"The situation required reinforcement work including additional piling which had caused a considerable delay.

"More time was also taken up because the conveyor belt could not be fitted into the building because of the design.

"A section of the building at the baggage claim area had to be reconstructed to fit the conveyor belt," he added.

Meanwhile, an international expert from the construction industry said the airport could be completed by April 30 next year only if work was carried out at a much more rapid pace.

"Intensity is the key to the completion of the project," he said.

"From outside, the terminal building looks very raw. However, a lot of things can be done in 10 months provided the remaining work is carried out with greater intensity," he said.

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Passengers at LCCT**

Smaller contractors may also be fined, says MAHB

SEPANG: Smaller contractors at KLIA2 may also be hit with fines if the delays in completing the airport are not justified.

Malaysia Airports Holdings Bhd (MAHB) said it might impose the liquidated and ascertained damages (LAD) fine on other contractors as well as the main contractors.

"We have already made the announcement on these two (UEM-Bina Puri).

"As for the others, if there is a need, we will make the announcement," MAHB senior general manager (operation) Datuk Azmi Murad told reporters on the sidelines of KLIA's 15th anniversary celebration yesterday.

This follows its decision to fine UEM-Bina Puri JV RM60mil for not meeting the deadline for completion of the main terminal.

He said MAHB would discuss with UEM-Bina Puri JV and its other con-

tractors over the delays at KLIA2.

In a tit for tat move, UEM-Bina Puri blamed MAHB for the delays, claiming the airport operator gave last-minute instructions with insufficient time to complete the works.

The main contractors said that among the last minute changes made were expanding the gross floor area by another 60,000 sq m to 295,000 sq m, the addition of 45 more Immigration counters, along

with ticket booths and counters, and also design adjustments at one of the sectors in the terminal.

It also said unexpected ground condition required re-engineering using additional piling and extensive ground-anchored sheet piles and additional ground treatment that had led to the delays.

Among the other contractors of KLIA2 are KUB Malaysia Bhd, which is building the taxiway and runway, and WCT Bhd, which is building the

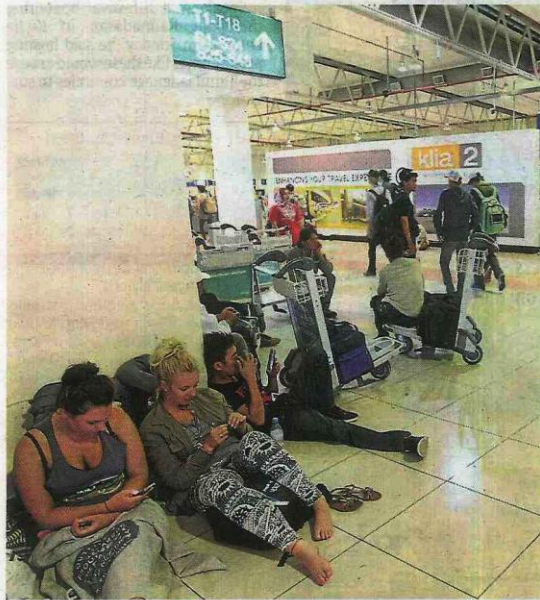
RM530mil "gateway@klia2" complex.

Meanwhile, its other contractor Gadang Holdings Bhd has completed its portion of the Runway 3 contract worth RM291.2mil, and had handed it over back to MAHB.

The construction of the KLIA2 was prolonged previously, after MAHB accommodated AirAsia Bhd's decision to use an automated baggage handling system instead of a manual system.

Snap me for a video of the scene at the LCCT

Oh, for some comfy chairs: Passengers crowding the walkway while waiting for their flights at the LCCT.



Against the wall: Travellers resting on the floor at the LCCT.

Travelling pains

Passengers suffer at LCCT while waiting for KLIA2

By LEE YEN MUN
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SEPANG: Budget airline travellers can't wait for KLIA2 to be ready. Until then, they are stuck with the crowded, crammed Low-Cost Carrier Terminal (LCCT).

A site visit by *The Star* found the LCCT congested with private vehicles, buses and taxis.

Inside, the terminal was a hive of activity as travellers looked for space, with many resorting to sitting on the walkway or on their luggages as there were insufficient seats available.

"LCCT is not bad for an airport but we need a more spacious waiting area.

"Sometimes, we have to wait for three to four hours for a flight so we would like to see something done to improve the comfort level of the passengers.

"I wish KLIA2 will not be delayed further and will provide first-class facilities to match its status as an international airport," said office worker Siti, 53, from Alor Setar.

Fresh graduate Lena Olivia, 24, said her family of nine missed a flight yesterday due to the huge crowd waiting to check in.

The family, including four children, were scheduled to return home to Sabah.

"I've had to sleep at the airport many times before, sitting like a *pengemis* (beggar) outside (the airport) because there are not enough chairs.

"I hope it will be more convenient for us at the KLIA2," said Lena.

Government servant Robin G.T., 48, expressed disappointment over the lack of parking space at the LCCT.

"I think they should also do some-

thing about cars that are parked indiscriminately by the roadside here, as it adds to the road congestion at the airport.

"But the number of cars that flood this place shows that we have a problem with overcrowding in terms of both vehicles and people," Robin said.

The much delayed KLIA2 project is now scheduled for completion by May next year.

The delay has caused MAHB to start imposing liquidated and ascertained damages (LAD) of RM199,445.40 per day, starting June 16 this year, on UEMC-Bina Puri JV, the contractor of the main terminal building of KLIA2.

Bina Puri Holdings Bhd is responsible for constructing the main terminal, a satellite terminal and the piers at KLIA2, in a joint venture with UEM Construction Sdn Bhd.



Any seat will do: Passengers sitting on baggage trolleys.



Still under construction: Part of the incomplete KLIA2 main terminal.

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Bina Puri Holdings Bhd
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UEM-Bina Puri JV to appeal fine

It's based on terms of contract that says contractor can appeal for extension of time

By CHOONG EN HAN
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SEPANG: UEM-Bina Puri JV, the main contractor of KLIA2, is appealing against the liquidated and ascertained damages (LAD) fine slapped on it by Malaysia Airports Holdings Bhd (MAHB).

Bina Puri Construction Sdn Bhd director Henry Tee Hock Hin said the joint venture (JV) would appeal based on the terms and conditions of the contract that stated that the contractor could appeal for an extension of time (EOT) to finish up the work, as there had been many last-minute requests and additional changes made by stakeholders.

"We have already written in our appeal.

Right now, our physical completion is about 93% and we will complete our portion of work by year-end," he told *StarBiz*.

Tee is the brother of Bina Puri Holdings Bhd group managing director Tan Sri Tee Hock Seng.

With MAHB invoking the LAD, the JV stands to pay an RM6mil monthly fine, amounting to RM63.42mil, assuming it only hands over the airport on April 30, 2014, the new completion date for KLIA2.

Tee pointed out that UEM-Bina Puri JV was not the only contractor that was behind schedule, as the runway and taxiway had not been completed too for the earlier planned date.



The unfinished taxiway of KLIA2. Tee (inset) says there have been many last-minute requests and additional changes made by stakeholders of the new airport.

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JV not the only contractor behind schedule

> FROM PAGE 1

June 28 opening.

The JV's work totalled about RM1.15bil out of the RM4bil projected cost of KLIA2.

"We received a handful of instructions at end-2012 and early-2013. These last-minute changes were impossible to be completed on time," he explained.

Among the instructions it received were expanding the gross floor area by 60,000 sq m to 295,000 sq m.

Adding 45 additional counters to the immigration department and additional ticket booths and counters was also among the other instructions it had received from March to May.

"The final design is supposed to be frozen but it was not due to the last-minute changes, and we have been very accommodative of this," he said.

According to him, the company's bankers, including Malayan Banking Bhd and CIMB Bank, had expressed concerns on the company's credit facility due to the LAD.

"Not only would this hit our bottom line but our reputation is also on the line. This is going to hurt us not only locally but also internationally," he said.

On the 212 non-compliance reports lodged by MAHB, he said these were just minor technical rectifications that happened across the construction industry.

"Whatever works that have an NCR (non-compliance report), we will rectify the defect," he assured.

Thus far, the JV has rectified about 70 of these NCRs.

MAHB and UEM-Bina Puri JV had recently been embroiled in a spat blaming each other for the works that could not be completed in time for the opening of KLIA2.

From : Group Corporate Communication Department
Date : 2th July 2013
Subject : Bina Puri News Update