



Developing countries are looking to Malaysian construction companies for its technical capabilities.

Design and construction by Ranhill Bhd of a 632 metre landmark single plane, semi-harp, cable-stayed bridge with a 132 metre-span across the Muar River, and a 13 kilometre road bypassing the town of Muar

LARGE INFRASTRUCTURE PROJECTS – POTENTIAL OVERSEAS

As the market for large infrastructure projects get seasoned and saturated with various players, competition gets tighter. Regular industrial players, mainly engineering and construction corporations have to be more innovative in penetrating the market in proposing new packages upon extending their service offer to potential customers.

According to Farouk Anwar, Manager of Strategic Business Development, Corporate Services Division, Ranhill Engineers and Construction Sdn. Bhd., the question now for construction companies is not only to be competitive but also to be more pro-active and creative.

"Construction companies have to be more pro-active and not just wait for large infrastructure project tenders to come in nor wait for the demand to knock on the door. We should be talking to the potential client, assessing their situation and needs and create something out of their needs," he said.

"Some are taking a more daring approach by offering a more expanded scope to build, own and operate the project before transferring its ownership to the customer at a later agreed stage," he said explaining that this concept is popularly known as BOOT (Build, Own, Operate and Transfer).

This approach is becoming very popular in all industries mainly infrastructure (transportation) and utility (water & power). Here, the contractor would play the Design & Build roles in addition to the Operations & Maintenance of the asset. An arrangement is made with a financier/banker to provide the necessary financing to construct and even run/operate the asset/facility.

The benefit to the contractor would be the generated revenue out of the operations of the asset (like toll revenue for a highway concession or sales of electricity for a power plant). Ultimately, the contractor would target to achieve a reasonable economic return or hurdle rate (NPV) out of the concession operations, which runs on a certain time period. At the end of the concession, the asset ownership and operations will be transferred to the Customer.

Anwar said that when the BOOT concept gets more popular in Malaysia, construction companies will have to again be more creative in securing large infrastructure projects, not only locally but overseas.

"It's not merely turnkey implementation (Design & Build) that can be offered, but in many instances, construction companies could volunteer

to undertake financing of the concerned project via a deferred payment scheme in which, the customer gets to pay back for the project costs after its completion on a stretched tenure," he said.

"Some clients don't want the contractor to own and operate, they want the contractor to build and let them (client) operate but they don't have the money. Here you have to modify the BOOT concept and do the design and build but offer financing," he said adding that many developing countries with financial constraints are facing this dilemma and are demanding such a scheme.

However, in this scenario, only highly reputable companies can offer such a scheme, as the bankers will see a company's profile (the contractor) against the money the company borrows.

Anwar said, by emulating a more pro-active approach, construction companies will be able to secure large infrastructure projects overseas especially in developing countries. According to Anwar, demand for large infrastructure projects is not as vibrant as it was in the late 90s in Malaysia.

"In the 90s, the economy was into developing the nation in terms of infrastructure. Malaysia has now come to a stage of saturation and this applies not only for the oil and gas sector but also for infrastructure sector," he said.

"This compels some players to venture overseas especially in developing countries," he said. Anwar said the Malaysian construction industry was of very high repute overseas especially in developing nations.

"There is a big market overseas. Developing nations not only respect Malaysia for its technical capabilities but also appreciate our professionalism and global awareness. Despite knowing a little less than the Koreans and Japanese, developing nations prefer Malaysia as their partner in large infrastructure projects," he said.

Many of these developing countries have infrastructure needs but do not have the financing.

"Here we can offer the design and build plus the financing," he said. ■