



Mid Valley City: A Case Study in Value Creation and Lessons in Public Private Partnership (PPP)

by Ir. Ng Sean Lok

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Combining strengths and resources, public and private sectors can work together to achieve common goals. By partnering and sharing risks and rewards, the public partner (government entity) can delegate some of its own responsibilities to a private partner under a long-term contract that defines the rights and obligations of each party during the term as well as the mechanisms for its financial re-equilibrium arising from unforeseen events. This talk presents principles and lessons learned to enlighten engineers and public officials together with private investors in navigating the public and private development framework, whether it is for a single project or a township development.

The talk was organized by Urban Engineering Development Special Interest Group (UEDSIG) on 17th of March 2018 and IEM was truly honoured to host Prof. Ir. Dr. Chen Boon Tai. Having been part of the pioneering team 23 years ago of the highly successful Mid Valley City development between Kuala Lumpur City Hall and Mid Valley City (MVC) Sdn Bhd (a member of the IGB Group of Companies) on Public-Private Partnership (PPP), Dr Chen retired as Director of MVC Development in 2014 to devote his time to teaching as the Industry Professor of Management in the Engineering Management Department of the Malaysia University of Science and Technology.



From left: Prof. Ir. Dr. Chen Boon Tai, Ir. Ng Sean Lok, Ir. Dr. Wang Hong Kok.

In this talk, Prof. Ir. Dr. Chen proudly shares the 10 principles about what it takes to successfully design PPPs and how they can be used creatively to fit a range of situations. The principles are concepts applied based on lessons learned from this development. According to him, the PPP drafted for MVC

is risky and complex because they cannot fully predict future conditions therefore, the contract needs to have flexibility built in to enable changing circumstances to be dealt with as far as possible within the contract, rather than resulting in renegotiation or termination. But having said that, the company is more than willing to take on the associated risks and management responsibility in exchange for profits linked to performance.

Drawing on Prof. Ir. Dr. Chen's experience in Mid Valley City development, he deliberated PPP's ability in uplifting competencies, efficiencies, and capital to improving public assets when governments lack the upfront cash. According to him, the planning and implementation of a robust PPP is not quite as straightforward as it seems because it requires a holistic understanding of the processes and most importantly, stakeholder needs and trust. Some projects may be more politically or socially challenging to introduce and implement than others particularly if there is an existing public sector workforce that fears being transferred to the private sector or if there are significant land or resettlement issues. However, he added that more effort should be made to raise the awareness and benefits of PPP because the framework can extract long-term value-for-money through appropriate risk transfer to the private sector.

Judging from the enthusiastic questions raised from the floor at the end of the presentation, the talk is considered a success. There were suggestions that more talks of this nature should be organised in future.