



MEDIA STATEMENT

POST-TERMINATION OF THE SUVA ARTERIAL ROAD UPGRADE PROJECT 2

13 December 2019

Following the recent termination of the Suva Arterial Road Upgrade Project 2 (SARUP 2) contract we have noted a number of repeated queries on the subject from both the Press and Social Media. Our responses to these queries are below:

At the outset it is probably beneficial to clarify a few facts around the SARUP 2 Contract:

1. SARUP 2 is a project to deliver major highway rehabilitation works in Greater Suva and forms part of the TIISP Sector arrangement between the Fiji Ministry of Economy, the Asian Development Bank and the World Bank.
2. The FRA is not contractually a part of this agreement – it is the Implementation Authority that contracts with Contractors to deliver the works under the TIISP agreement.
3. SARUP 2 was a contract executed between the FRA and Guizhou Road and Bridge Company under the MoE/ADB/WB Agreement

Q. Why did it take so long to terminate the contract?

A. Contract Termination is the final action on a failing contract, it is also the least desirable outcome. It consumes considerable unproductive time for all parties, prolongs disruption and delays solutions. In this particular case the period between Contract Award and termination was 8 months, which is not unusual in construction contracts. Aside from the permitted 2-months of mobilization that is granted in the contract, the Contractor has to be allowed to prove that they are able to meet the contract requirements and the work programme; it can take several months to get a clear picture that the Contractor is not going to be able to deliver in accordance with the Contracted requirements.

Once it has become clear that Contractor is failing, there are mandatory requirements that have to be followed to ensure that we proceed in a professional and legal manner, these include Notices to the contractor that have response duration enshrined in the Contract. All of this adds to the overall time taken to execute the Termination. A further consideration is that this Contract was executed through an arrangement between the Ministry of Economy, the ADB and the WB. In the event of such a significant contractual action as Termination, all three parties have to be consulted and their 'No Objection' sought; this was given in all three cases but the review and acceptance can take some time as a recommendation to terminate does carry significant potential consequences. Added together this period was 8 months, a duration that we do not consider too long.

Q. The reason that the contract was terminated was because the FRA cannot fund the works?

A. This is not true. The project is only partly funded by the FRA (and hence the Government of Fiji); 90% of the funding is provided by the ADB and WB.

Q. Were any deposits or advances paid to the Contractor?

A. Yes. These are now being recovered from Bonds arranged through Banks.

Q. Why was the Contract awarded to Guizhou in the first place?

A. Guizhou was considered a compliant tenderer and was the lowest priced tendered. Guizhou is also an internationally operating Contractor that has delivered many large-scale projects and has the experience that is relevant to SARUP 2. There was no reason to not award the Contract.

Q. Has the FRA lost money as a result of this Termination?

A. No. Bond recovery is underway. Under the terms of the Contract signed between the FRA and Guizhou the FRA is legally entitled to recover any cost over and above that which would have been paid to Guizhou, from Guizhou.

Q. Why doesn't the FRA award the work to Higgins and Dayal, who have performed well recently?

A. Under the Governance rules of the FRA, ADB and WB direct appointment is not permitted. The works will be retendered.

Q. Considering that the roads around Suva are deteriorating quickly, and the FRA has lost 15 months, as result of this termination, what is the plan to ensure that roads are put into a better condition?

A. The important thing now is that we act to minimize the delay implications that have resulted from the termination. The first action that have taken is to assume contracts and agreements that were made by Guizhou with Testing, Investigation and Design consultants. In doing this we are minimising time-lost in the planning of the works and we are not wasting work already done.

We are also working directly with utility providers to ensure that their requirements are included in the rescoped contracts.

In terms of the rectification of the deteriorated road conditions, we have removed 6 roads from the scope of the SARUP 2 contract, these are:

- Amy Street
- Brown Street
- Milverton Road
- Ratu Mara Road / Nabua Bypass
- Ratu Sakuna Road
- Waimanu Road

These roads will be rehabilitated, with long-term works, over the next 12 months.

The remaining 11 Road-sections under SARUP 2 will be retained within 3 rescoped SARUP 2 contracts, whose composition is related to logistics and the need to minimize congestion and disruption around Suva. These contracts will be delivered through the existing arrangement between the Ministry of Economy, ADB and WB. The delivery of these contracts will be completed by the beginning of 2022. In addition to these works, and outside of the SARUP 2 contracts, we are also planning to carry out major, long-term rehabilitation later in 2020 on the following roads:

- Fletcher Road
- Nokonoko Road
- Sections of the Transinsular Road between Nabalebale and Savusavu.

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