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**The Star Bizweek**

## **Leveraging locally and overseas**

THE local construction sector, besieged by problems of over-capacity in the last few years, is coming to life again. Still, it is hard to ignore the fact that the sector has undergone a major structural shift. To survive and thrive, local contractors now have to look beyond their comfort zones.

When WCT Engineering Bhd first ventured overseas in 1999, little did the company imagine that its future success would be determined by the flow of contracts from foreign markets. Now, however, the company could easily be voted as the company best suited to write the survival guide for its local peers. Its executive directors Chua Siow Leng and Loh Siew Choh say there is nothing to it except hard work and perseverance ... and a little bit of luck. They talk to *BizWeek* about how far the company has come from its roots as a sub-contractor to the big boys and the focus ahead.

**WCT Engineering has been in the news a lot of late and mostly because of overseas contract awards. Does this signal a shift in the company's focus and growth strategy?**

**Chua:** We are still very much focused locally because we believe that we must leverage on the strength and expertise that we have developed locally.

There are huge opportunities overseas, especially in places like the Middle East. When I first visited Dubai about six years ago, I thought the pace of development there was madness. I thought the bubble would surely burst. But people have been saying that about Dubai for the past ten years, and it is still going strong. And that same scene is now being replicated in other Gulf states like Bahrain, Qatar and Abu Dhabi.

While the opportunities are there, we are mindful of the challenges and the fact that the situation could alter very quickly. It is for this reason that we think that as a Malaysian company, our focus should be on projects at home.

**The company's first few overseas jobs were in India, but somewhere along the way the focus shifted to the Middle East. How come?**

**Chua:** We have developed certain core competencies and strengths. We started out very much as a sub-contractor here, concentrated on earthworks and infrastructure. We only ventured into civil and building works 10 years ago.

We took a conservative approach when we went overseas. Our maiden job was a government-to-government (G2G) one between Malaysia and India, negotiated by the Construction Industry Development Board (CIDB). Even then, the four companies that were short-listed

formed a consortium together with CIDB. This approach gave us some comfort. We took it as part of the learning process and we mitigated our risks by getting involved in a G2G negotiated contract. After that project, we joined Gamuda to undertake two more road projects in India.

At this point, we were invited to undertake the Bahrain F1 circuit job. We thought we will just do the job and come back but while waiting for that, we tendered for two other projects. Amazingly, we got all three in a matter of less than nine months. Together, these were worth RM800mil and all turned out to be profitable. After a year or two in Bahrain, there were projects coming up in Qatar. Now we have Dubai and Abu Dhabi to add to the list.

**Loh:** We are thinking about whether we should reactivate our operations in India. India tends to be very litigious. It takes some time to really learn about how things work there.

### **There is talk that you are bidding for jobs in other markets like Oman...**

**Chua:** We have a partner in Oman. We also bid for some projects there together with Gamuda about two-three years ago. But nothing turned out. Our local partner there is still keen for us to go in together for a few jobs. We are still keeping our options open. Now that we are quite active the region, we are planning to set up our regional office in the Middle East to look after our activities there and to have a better presence in that region.

### **The company has worked the strategy of having local partners in its overseas jobs to good effect ...**

**Chua:** We don't just partner with people in the Middle East. Even in the local market, we are one of the few contractors who can work with virtually anybody and this is probably because we started out as a sub-contractor.

We have tried both ways and we still think it is better to have a partner. The problem is finding a good and active local partner because very few Arab companies take a hands-on approach.

We are lucky to have found very good local partners in Cebarco and Arabtec. Arabtec, for instance, is a high-flyer in Abu Dhabi so for them to have chosen us must mean that there are convinced about our strengths. And Cebarco is the biggest contractor in Bahrain.

### **Was it difficult going raising the company's profile in the Middle East or has luck been on your side?**

**Chua:** The first job is always difficult. Even if you are active in the local market, when you go overseas you are nobody to the bankers right down to the suppliers.

**Loh:** The Middle East market is unique maybe because of the combination of wealth and the fact that it is a tight construction market. They tend to depend on people who have a track record. There is no compromise when it comes to quality and speed of delivery. If you have a

track record, then the jobs will keep coming. That's how we got to be where we are now. We are fortunate that we did the F1 and people started identifying us with that success. The other thing is we operate like a workhorse contractor, not purely a management contractor. Our ability to go down to the ground and do the job ourselves helped us prove our worth in those markets. This hands-on approach also lets us manage our cost better.

**Has it reached a stage where you start being more selective about the jobs you take on?**

**Chua:** Projects are chasing after contractors in the Middle East so we have to be selective.

**Loh:** If you come to us with something that we have never done before, we probably won't take it on, but if it has something to do with civil infrastructure or circuits, then we will do it because we have the expertise and the machinery. The Abu Dhabi F1 circuit will not be a problem for us because we see it as being within our core skills.

**What are some of the risk factors when doing business in that region?**

**Chua:** Because of the tight construction market, the biggest risk is cost escalation. The other one is changes in government policy usually to do with labour. Infrastructure development is also a problem. Because the pace of development is so fast, there can be quite a bit of congestion at some of the facilities, which have not been upgraded. This can delay projects and lead to cost escalation especially if your materials are stuck at the port. The other part is, of course, political stability in the region.

**How do you mitigate some of those risks?**

**Chua:** We do it by raising our profile and our credibility. The other thing is of course, your relationship with your supplier.

**Loh:** We rely quite a bit on our joint venture partners for these things. They usually have a local network for supply of labour and materials. New companies going to the Gulf would have to start from scratch identifying and building a good relationship with the suppliers.

**WCT has tied-up with Gamuda a few times now to bid for jobs in the Middle East. Why Gamuda and what does it bring to the table?**

**Chua:** They have a strong balance sheet and good in-house design committee. This way, we complement each other's strengths.

**Could this tie-up be a precursor to a more formal strategic alliance sometime in the future?**

**Chua:** We are just working on a project-to-project basis. Every project has different requirements so we look for partners that can complement our strengths. If there is a local player available, then we will go with a local one. But the key is really what value-added

service the partner can bring.

**WCT appears to have found the success formula for the Middle East. Is the company looking at applying this formula to new markets?**

**Loh:** We have decided that the Middle East will be a regional centre for us. It is a bit too early to talk about moving into other countries. There are just so many opportunities still in the Middle East. Dubai started to be built when oil prices were less than US\$30 per barrel. Oil prices have been staying above US\$60 per barrel for some time now and are not likely to come down anytime soon. So imagine what the countries there can do with this kind of money. Our focus now is to continue building on our past successes. This means getting the quality right and growing organically.

**Chua:** In Abu Dhabi, for example, because of the tight construction capacity, they are very open to the idea of partnering. We are also familiar with these markets now so we will stick to these.

**There are big plans for the property development scene in Vietnam. Could you elaborate...**

**Loh:** Companies need an investment certificate to commence operations in Vietnam. Yes, we are looking at Vietnam and have identified a few projects there and have put in our application for an investment certificate although we have not received this yet. Vietnam is certainly an exciting place. Because its population is so big, there is an urgent need for modern housing. On the commercial side, Grade A offices are being let out for US\$40-US\$45 per sq m, which is much more than KLCC, and this is completely taken up. It is a lot like China a few years ago. There are people in this company who have years of expertise in Vietnam. We have people working here who have been going to Vietnam since 1989. So we have seen the changes taking place in Vietnam and we have a better understanding of how things work there.

**How do you view the prospects in the domestic construction sector?**

**Loh:** We are getting our share of jobs, whether it is directly from the 9MP or working with other parties in joint ventures, we still get our fair share.

**What jobs under the 9MP would appeal to WCT?**

**Loh:** We have the Kota Kinabalu airport job. We are currently negotiating with the Government for another infrastructure job under the 9MP.