

Third Terminal Construction: CAAB ordered to pay over Tk 1,000 crore after losing international dispute

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Dhaka: The Civil Aviation Authority of Bangladesh (CAAB) has been ordered to pay over Tk 1,000 crore to the Aviation Dhaka Consortium (ADC) after losing a dispute over the construction of the third terminal at Hazrat Shahjalal International Airport.

The verdict was delivered in Dhaka last week by an international dispute board formed to resolve the long-running disagreement between CAAB and ADC, sources familiar with the matter said.

A senior Civil Aviation official, speaking on condition of anonymity, said the claimed amount had been pending for some time but was withheld due to audit observations.

“The money was already due to them. However, we did not release it because of certain audit issues. Civil Aviation has 28 days to raise

objections to the decision. If unresolved, the matter may proceed from the dispute board to an arbitration board. A final arbitration ruling would be binding,” the official said.

CAAB officials said the ministry would be informed about the verdict and that further steps would be taken in line with its instructions.

The Aviation Dhaka Consortium (ADC) was formed by Japan’s Mitsubishi Corporation and Fujita Corporation, along with South Korea’s Samsung C&T Corporation, to carry out the third terminal construction project.

The dispute board, comprising three adjudicators from Malaysia, the United Kingdom, and Germany, was constituted to settle financial claims and counterclaims between the two parties. The board heard arguments from both sides before delivering its ruling.

However, the ruling noted that the scope of work had not been validly extended and that the DNP expired on 1 January 2025. As a result, under the contract, the time has not yet come to issue the performance certificate. The board rejected ADC’s request for the return of its performance security.

The dispute board further stated that CAAB has no jurisdiction over determining the costs of the adjudication process. The decision is binding on both parties and must be implemented immediately unless modified through mutual settlement or a final arbitration award.

The letter further stated that due to delays in appointing an airport operator for the new terminal, ADC has been required to continue maintenance responsibilities for an extended period without any payment. As a result, the consortium is bearing significant additional costs, leading to considerable financial losses.

The ambassador of a concerned country, which is part of ADC, mentioned in a letter sent to the Aviation Adviser on July 20 that although the Third Terminal Project at Hazrat Shahjalal International Airport is a significant milestone in Bangladesh’s development, it is currently facing uncertainty due to financial disputes. The Korean company, Samsung C&T Corporation, one of the key partners of ADC, has completed its work on the project but has yet to receive a substantial amount of outstanding payment.

Despite various global crises, including the Covid-19 pandemic and the Russia-Ukraine war, the project was successfully completed on January 2, 2024. However, according to the agreement, the Civil Aviation Authority of Bangladesh (CAAB) has not fulfilled its obligations.

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In a separate letter, another country's ambassador also wrote to the Aviation Adviser, stating that although ADC has completed a substantial portion of the physical work under the project, many certified payments remain unpaid. The CAAB authorities have not yet formally taken over the facility, forcing the contractor to continue covering maintenance expenses.

The letter warned that if a prompt resolution is not reached, the contractor may be compelled to pursue legal action, which could escalate to arbitration proceedings. Such developments could damage Bangladesh's international reputation and negatively impact future foreign investment.

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