

## THE 7th MALAYSIA CONSTRUCTION SECTOR REVIEW AND OUTLOOK SEMINAR

### **The Construction Sector at the Onset of the 10<sup>th</sup> Malaysia Plan Keynote and Opening Address**

by

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1. First and foremost, I am indeed happy to be here, and honored to deliver the Keynote and Opening Address at the 7th Malaysia Construction Sector Review and Outlook Seminar. Also, let me thank the Construction Industry Development Board (CIDB), the organizer of this annual event, for this timely opportunity for me, to share my views and aspirations with all of you.
2. Last year, as we all know, the global economy had to pace itself against slow economic growth, including Malaysia. However, the Construction Sector was the only sector that recorded a positive growth during every quarter of 2009. We can attribute this trend to the proactive implementation agenda of the 9<sup>th</sup> Malaysia Plan, the two Stimulus Packages amounting to RM67 billion as well as the relative stability of building material prices.
3. It was within this scenario that the Construction Sector registered a strong growth of 5.8% in 2009, and subsequently 8.7% for the first quarter of 2010 as against the overall GDP growth of 10.1% during the first quarter of this year.
4. When we translate these percentages into projects awarded in the 9<sup>th</sup> Malaysia Plan, around 26,300 projects were awarded valued at RM380 billion. In comparison to the 8th Malaysia Plan which registered 25,700 projects valued at RM255 billion, I am really pleased to note that in terms of value of projects there is already a substantial improvement in the performance of the 9<sup>th</sup> Malaysia Plan despite having 5 more months to the end of this year to complete the 9<sup>th</sup> Plan.
5. We are now on the verge of implementing the 10<sup>th</sup> Malaysia Plan that will set the stage for a major national structural transformation, towards that of a High-Income Economy. The High-Income Economy will hinge on higher productivity

and the engagement of the private sector participation, which will be the primary driver of growth and innovation.

6. The Plan which covers the period from 2011 to 2015 will potentially have high impact on the Malaysian Construction Sector where it is expected the Construction Sector will grow at 3.7% per annum as compared to 6% per annum GDP growth for the country.
7. The Construction Sector will need to gear itself in preparing for the abundant opportunities laid out under the Plan. These opportunities will drive, strengthen and generate a multiplier effect in stimulating and enhancing demand and domestic growth for the entire economy and in particular, the Construction Sector.
8. RM230 billion development allocations and RM20 billion facilitation funds have been allowed for under 10<sup>th</sup>MP. Both these allocations will create the impetus in driving demand for the Construction Sector as out of the RM230 billion for development expenditure, 60% or RM138 billion will be expended in physical development to be undertaken by the Construction Sector. The RM20 billion facilitation fund is expected to attract private sector investments worth at least RM200 billion of which a major portion would be investments involving the Construction Sector.
9. In promoting economic growth through Private Sector participation, 52 high-impact projects worth RM63 billion have been identified for implementation under the Public-Private Partnerships (PPP) initiatives. Among these projects are 7 Tolled Highways at an estimated value of RM19 billion, 2 Coal Electricity Generation Plants at RM7 billion, Malaysian Rubber Board's Land Development at RM10 billion, Petronas LNG Melaka Plant at RM3 billion and, 2 Aluminium Smelters in SCORE Sarawak at RM18 billion.
10. In supporting the 10<sup>th</sup> Malaysia Plan, the Ministry of Works has identified five strategic initiatives that will provide leadership to the industry for effective implementation of construction projects and enhancement of the construction industry. They are:

- i. the revision and establishment of construction industry related acts;
  - ii. the enhancement of processes and technologies;
  - iii. leveraging on information and communication technology (ICT);
  - iv. strengthening enforcement and project monitoring; and lastly
  - v. capacity enhancement of professionals, contractors and workforce.
  
11. Towards achieving a high income economy, there is a need to enhance the environment under which construction stakeholders operate. Issues affecting business transactions like liberalization challenges, non-payment and under payment need to be addressed. In this context, the Ministry is facilitating the revision of all the Acts under the respective Boards covering Engineers, Architects and Quantity Surveyors in addressing liberalization and globalization.
  
12. In addressing payment related issues in the construction industry, I am indeed very pleased to announce the impending enactment of the long-awaited Proposed Construction Industry Payment and Adjudication Act, also known as CIPAA. We are now trying our level best to have the Bill tabled in Parliament by the end of this year. With the enactment of CIPAA, we will soon see a healthy payment conscious culture becoming a norm in the entire construction industry, easing and improving cash flow during project implementation. As such, CIPAA is indeed timely in light of the 10th Malaysia Plan as it will enhance the efficiency of projects to be undertaken in the very near future.
  
13. It is also very important to amend the CIDB Act or Act 520 in our quest towards enhancement and improvement of the construction industry. The Act 520 which will also be tabled to Parliament will see enhancement in the quality of construction materials and products, as the Act, will empower conformance of construction materials and products to quality standards. In tandem with enhanced quality of materials and products, quality of workmanship will also be enhanced through mandatory certification and accreditation of all construction

industry personnel and site supervisor. This will contribute to improve quality of construction projects in the near future.

14. The construction process has come under intense scrutiny in recent times and this is set to continue as clients and users demand better value for money from the projects implemented. The construction sector's stakeholders especially the Government are responding to the challenges implicit to drive for greater competitiveness and social responsibility. New forms of procurement, innovation programmes, knowledge management, and many more initiatives will transform the construction sector in Malaysia in the next decade.
15. Procurement process is seen as a key area that will trigger an improvement of the output and outcome in the construction sector. The Government has already taken efforts to improve processes related to the appointment of consultants and contractors. The Government will tighten the selection process in making sure only genuine and qualified contractors to undertake Government projects in the future.
16. The Ministry has decided to adopt the application of Life Cycle Costing in enabling comparative cost assessments to be made taking into account all relevant economic factors both in terms of initial capital cost and future operational cost. It will assist the Ministry in the decision making process where there is a choice of option. In this context, the Government has decided to use concrete and Polymer Modified Asphalt as alternative materials for 5% of new road construction and maintenance. This approach will see a savings of about 25% to the Government in view of the cheaper operating and maintenance cost.
17. The Government will continue its efforts to initiate more green townships across the country. Currently, guidelines and rating scales based on carbon footprint is being prepared by related agencies. As for construction sector, I believe this is a niche area where we need to put more effort to realize sustainable development goals. This includes Green Building Technology, and Energy Efficiency (EE) tools. We should become the leader of practicing and creating environmentally responsible and resource efficient practices through-out the building life cycle, from design, construction, operation, maintenance, renovation, and disposal.

18. As a strategy in enhancing efficiency and productivity, the Government is committed to embark on Industrialised Building System (IBS) more rigorously. As such the New IBS Road Map 2011 – 2015 has been approved by the Cabinet recently. This document provides strategic directions for the industry to fully embrace IBS utilization in 10<sup>th</sup> Malaysia Plan projects.
19. In enhancing significant increase in productivity, there is a need for sharing of information based on an integrated ICT system and database not only within the agencies in the Ministry of Works but also with other agencies which are related to the construction industry.
20. The sharing of information especially in contractor registration through the amalgamation of registration process in CIDB and PKK through 1RoC (One Registration of Contractors) provides the platform for contractor database integration. This will not only ease the process and reduce the cost of doing business but also enhance the efficiency of the registration process.
21. The procurement process in the Ministry of Works will also leverage on ICT technology. Procurement Information Management System (PIMS) and the National E-Tendering Initiative (NeTI) are two ICT-based programmes that are being developed to digitalise the procurement process and the submission of tender documents on-line. This will not only benefit the tender preparation and evaluation teams but also the contractors who are preparing and submitting their tenders to the Government.
22. The sharing of information and the integration of various IT based systems among the agencies within the Government will provide the foundation for Construction Industry Centralised Information System (CIS). This initiative, although still in the inception plan, **will** promote a more effective project monitoring system for the RMK10 projects that are managed by the Ministry.
23. As the main implementing agency of construction projects for the 10<sup>th</sup> Malaysia Plan, the Ministry is aggressively targeting at zero-delay in the implementation of projects. In achieving this aspiration. The Project Supervision Team must be led by certified project manager in ensuring that projects are duly managed and closely monitored to ensure success.

24. The Ministry also intends to revisit and fine tune the delivery system. We will ensure that we have better enforcement capabilities and more effective project monitoring mechanisms in place. This is essential as increasingly projects are **being** privatized. In this respect, the Ministry will blacklist underperforming contractors and hold the management responsible.
25. In propagating High Income Economy, the construction industry must invest and give priorities to its human capital enhancement. The industry needs to transform its resources in the area of knowledge, entrepreneurial, competency and innovation. With about 64,000 contractors and 800,000 workforce, that include the professionals, supervisors, skilled and unskilled workers, the construction industry must unleash its potential as a source of wealth creation and opportunity for the betterment of quality of life.
26. The professional Boards have made it mandatory for all their members to collect Continuous Professional Development (CPD) points as prerequisite for membership renewals. This requirement is now extended to contractors who are now required by CIDB to collect Contractor Continuous Development (CCD) points before they are allowed to renew their licences. These initiatives are mainly to promote continuous knowledge enhancement among the industry players.
27. The need for skilled workforce is currently being addressed by CIDB. CIDB, through its various skills competency training programmes, are not only giving its focus on school leavers but also to all local construction workers at large. **This initiative promotes both - skilling and multi-skilling the workforce.** In ensuring the quality of workmanship at the construction sites, supervisory skills of the site supervisors and clerk of works need to be enhanced. In this context, CIDB is not only conducting training for site supervisors but also embarking on a nationwide accreditation of site supervisors especially for those who have experience more than 10 years working in the profession. This will allow those experienced site supervisors who do not have paper qualifications to be certified by CIDB as competent site supervisors.
28. From our earlier appreciation of the performance in the domestic market, let us appraise our performance in the global scenario to gauge how Malaysian

contractors have fared. A total of 23 projects valued at RM14.2 billion were secured by Malaysian contractors abroad in 2009 compared to 50 projects valued at RM9.3 billion in 2008. This obviously shows that our Malaysian contractors have done us proud in carving an increasingly significant presence in the global arena in terms of total project value.

29. While I congratulate the Malaysian contractors on their successes, I emphasize to everyone here that this growing track record should be both an inspiration and encouragement to Malaysian Construction Industry Players to press-on with their overseas endeavors.
30. In moving forward, it is also important that I stress on three key points. Firstly, in our pursuit of business growth and excellence overseas, we must recognize and act on the importance of continuously developing niche expertise and capabilities. Secondly, we need to focus on key strategies to increase capacity and productivity as an enabling environment to support overseas ventures. Thirdly, I urge contractors to take advantage of the assistance and support to be made available under the 10<sup>th</sup> Malaysia Plan in the form of services export support which will provide financial assistance to conduct feasibility studies and to secure tenders for international projects as well as for export promotion activities.
31. In conclusion, let us put our efforts together to enable the construction industry to continue to grow and progress regardless of the challenges ahead, while appreciating the importance of the industry and that of well-planned and well-executed construction projects.