



# Reviving the Construction Industry

## *The Singapore Experience*

Presented by:

Mr Lim Wei Keong

Council Member

The Singapore Contractors Association Ltd



# Effect of Economy on Construction Industry

*Past years of economic downturn led to the following:*

1. Reduction in government spending in public sector works ie. infrastructure works. Public housing, commercial and industrial development



2. Reduction in private sector works for commercial, industrial and residential development

Note: Generally there are surpluses in residential housing and commercial places



# Construction Companies affected by the prolonged downturn in the construction industry



# **Government Strategy for the Reversal of the Economic Downturn**

- 1. Free Trade Agreements to increase market shares and business opportunities**
- 2. Invest into new technology like Bio-Engineering, live Science and Infocom Technology**
- 3. Reduction of business cost, like wage restructuring, lower levy and taxes**
- 4. Manpower development and re-training programmes**



**The Singapore Contractors Association Ltd (SCAL) has regular dialogues and where necessary, appeal for direct assistance, with the following Ministries and Government Agencies:**

- **Ministry of National Development**
- **Ministry of Manpower**
- **Ministry of Environment**
- **Ministry of Finance**
- **Public Utilities Board (PUB)**
- **Jurong Town Corporation (JTC)**
- **Land Transport Authority (LTA)**
- **Building and Construction Authority (BCA)**



# Public Sector effort to increase the cashflow

1. Review of all the existing contract settlement of the final account
2. Review of the contract financial administration including specifying the period for settlement of variation and final account



# Increase government spending in construction industry



1. Bring forward some infrastructure projects
2. Bigger projects to be divided into smaller tender packages



# **Improvement of cash flow for public sector projects**

## **A) Changes to the Public Sector Standard Conditions of Contract**

- **Fairer allocation of unforeseen ground condition risks and diversion of underground services**
- **Inclusion of variation and period valuation of variation specified**
- **Valuation and finalisation of project account**
- **Removal of cross liability of contracts**

## **B) Better cash flow for projects**

- **Shorter duration for interim progress payment - fortnightly instead of monthly**
- **Banker's guarantee in lieu of retention sum**



# Proposed Security of Payment Legislation

1. Right of progress payment for parties in a construction project
2. Specific time frame for processing of progress payment
3. Adjudication process to resolve disputes
4. “Pay when paid” clause is made illegal
5. Right of suspension of work if progress payment entitlement is not received.



# Proposed Public Private Partnership (PPP) Initiatives

- **Government do buy services eg. water, rental of school space and sports facilities etc**
- **Instead of physically developing, owning and operating these facilities, the private sector to provide the physical facilities / products and operate them over a longer contract period (usually between 15 to 30 years)**
- **Maximising and optimising through sharing of responsibilities for the use of these facilities / products by the public and private sectors**

**Important note: There is now possibility of bringing forward public projects that were previously of lesser priority. System which allows for commercial input by the private sector consortium are now viable through PPP procurement.**





# Export Initiatives

1. Government led overseas mission
2. More marketing information on overseas opportunities
3. Encouragement of consortium approach to secure overseas projects



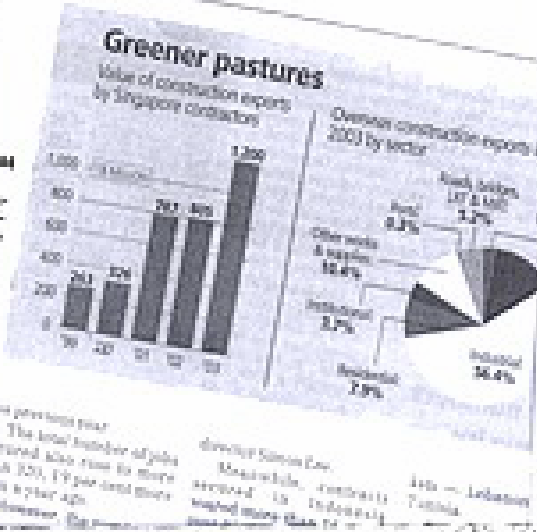
# Some benefits of the Export Initiatives

The Business Times, Thursday, September 2, 2004

## Local contractors rack up overseas projects

**By KWEE CHONG**  
SINGAPORE — Local contractors last year climbed up the list of overseas projects, showing a 50 per cent increase in the number of projects valued over a billion dollars worth of foreign jobs, according to a survey by the Building and Construction Authority (BCA).  
The number of contracts valued above \$1 billion rose to 21 in 2003, up from 14 in 2002.  
On the other hand, the number of contracts valued below \$1 billion fell to 11 in 2003, down from 15 in 2002.  
The total value of contracts awarded abroad rose to \$1.2 billion in 2003, up from \$800 million in 2002.  
The BCA said that the increase in overseas projects was due to a combination of factors, including the government's push for local contractors to expand their business overseas and the growing demand for construction services in emerging markets.  
The BCA also noted that the increase in overseas projects was a positive sign for the local construction industry, as it indicates that local contractors are becoming more competitive on the global stage.

## S'pore contractors build on success abroad



# Streets

## Construction deals abroad hit \$1.2b

Overall business rose 10% compared to previous year, thanks to SEA, others

**By Esther King**  
SINGAPORE — The construction industry's overseas business rose 10 per cent last year, thanks to a surge in projects in Southeast Asia and other emerging markets, according to a survey by the Building and Construction Authority (BCA).  
The BCA said that the increase in overseas business was a positive sign for the local construction industry, as it indicates that local contractors are becoming more competitive on the global stage.  
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Thursday, September 2, 2004 | THE STRAITS TIMES

MONET

# Contractors clinching more deals abroad

## More companies heeding Govt's call to break new ground overseas, securing \$1.2b worth of new contracts last year

**By DANIEL LIOU**  
LOCAL contractors clinched \$1.2 billion worth of contracts overseas last year, the highest in six years, as more firms heeded the Government's call to grow their business beyond the limited Singapore market.  
The sharp 50 per cent rise over 2002, when \$800 million in contracts was secured, was largely due to higher demand

in South-east Asia, the Middle East and India, a survey by the Building and Construction Authority (BCA) showed.  
Minister of State for National Development and Defence, Mr Cedric Foo, welcomed the figures at the Singapore Contractors Association's (SCA) annual dinner held at the Ritz-Carlton hotel yesterday.  
"The reality is that local construction demand will continue to be limited," he said, noting that the local market is forecast to grow to \$11 billion this year, compared with \$10 billion last year. This is still way below the \$14 billion at its peak in 1996.  
"Venturing overseas to develop an external wing will become a necessity for many in the industry in order to overcome the constraints of our small domestic market," Mr Foo added.  
The number of construction firms that ventured abroad rose from 23 in 2002 to 43 last year, while their reach also grew from 25 countries in 2002 to 33 countries.  
Top performers overseas included SembCorp Engineers and Constructors, United Engineers (Singapore) and Estuary Engineering, whose overseas contracts together represented nearly \$4M, or 4000 million, of all such contracts last year.  
In addition to overseas expansion, Mr Foo said there is a need to provide the right environment and to raise professional standards for the construction industry to stay viable in the long term.  
"The Government will continue to create a conducive operating environment for all

players to develop their capabilities to be well-positioned to compete in the new business environment," he said.  
Government initiatives include the proposed security-of-payment legislation to improve cash flow in the industry, as well as features such as allowing developers to make direct payments to sub-contractors. As it stands, sub-contractors are paid through the main contractor, which may result in short of cash.  
The Bill will be tabled in Parliament "in the coming weeks", said Mr Foo.  
He also encouraged groups such as SCA to play a more active role "to uphold standards and promote professionalism" in the industry, for example by establishing accreditation schemes with the BCA.  
SCA president Eugene Yong also proposed priority that the Government should be planning by the construction industry to account for a certain percentage of gross domestic product in the medium term so that there is a base for the industry to progress.  
"In this way, the recent boom and bust cycle experienced in the industry can be avoided with a more stable construction industry," he said.

*Venturing overseas to develop an external wing will become a necessity for many in the industry in order to overcome the constraints of our small domestic market*

— Mr Foo



# Thank You

