CHAPTER 1

INTRODUCTION

The building industry takes on a really significant part in the economic system of a growing country like Malaysia. It had contributed over 3% of the overall gross domestic product over the concluding five years from 2008 to 2012 (BNM 2013). For example, the industry contributed RM 34.9 billion to the overall gross domestic product of RM 937.5 billion in 2012. The entire value of construction projects awarded in Malaysia in 2012 added up to RM 112.5 billion (CIDB Malaysia 2013) and has created a batch of job chances to help promote the country’s economic system. The number of employed persons in the construction industry in Malaysia in 2011 is 1.134 million, which constitutes 9.2% of the entire 12.284 million employed persons (Department of Statistics 2011). Nevertheless, it must be mentioned that not all the construction projects are finished on time or ahead of schedule. It is also not uncommon for construction projects to be detained, or in the worst scenario even deserted due to diverse reasons.

A project may be revoked at any stage of the life cycle and incur significant amount of loss. For a housing project, the Ministry of Housing and Local Government considers that it has been deserted if 1) there has been no substantial activity on site for six consecutive months, or 2) it is involved in a winding-up petition registered at the High Court under Section 218 of the Companies Act, or 3) it is under receivership, or 4) the developer has informed the Housing Controller in writing of his inability to complete the project, or 5) the project has been certified to be deserted by the Minister
under Section 11 (1) (c) of Housing Development (Control and Licensing) Act 1966 (i.e. Act 118) (MHLG 2011). All the same, as aforementioned, this definition is only for housing projects, whereas this study cover all types of construction project which might not be governed by Act 118. Thus, for the purpose of this study a deserted project is set as a project which has either been completely deserted or indefinitely delayed.

The desertion of construction projects is not unique to Malaysia as it is also happening in other states, e.g., United States (Hicks 2008), Spain (Carrero et al. 2009), Dubai, Abu Dhabi, Saudi Arabia, Qatar, Bahrain, Kuwait, and Russia (SPIEGEL 2009). However, in Malaysia this problem has been plaguing long enough at a scale that deserves more attention. In 2000, there were 514 deserted housing projects in Malaysia with an approximated value of RM 7.5 billion (see Table 1.1). Even though the number has been gradually decreasing, it is reported that in September 2012 there are still a total of 95 deserted housing projects involving 37,316 units of houses and 26,170 house buyers (MHLG 2012). On top of the figure, there are also other, non-housing projects being given up throughout the age. For instance, the Plaza Rakyat, a RM 1.5 billion mix use project, remains deserted even though it was scheduled to be finished in 1998 (Jayaraj, 2009). These are some of the problems of deserted construction projects plaguing the construction industry in Malaysia.

Despite the seriousness of the issue, there appears to be a lack of research. It is found that previous studies lack comprehensiveness, i.e. involving both questionnaire survey and interviews, involving all the key participants, and involving both housing and non-housing projects.

1.1 RATIONAL FOR RESEARCH

The desertion of construction projects has resulted in many adverse consequences to the economy, society and the surroundings. Economically, it is a waste of useful resources. The issues of deserted projects are far reaching as the construction industry takes on a major part in economic system of a developing country like
Malaysia. Moreover, a typical construction project involves many trades and participants, who associate with other upstream and downstream industries (Ng 2009b). These include suppliers of construction materials, transportation companies, manufacturers of plant and machinery, etc. who will be seriously affected if a construction project is being neglected. For a public project, if it is deserted the economic impacts are never directly felt by the general public as they are taken up by the government’s reserves. Yet, very often there will be loss of opportunity for the public to benefit from the intended aims of the projects (Bavani 2009). Should additional public fund be used to revive such projects, it will incur additional opportunity cost, i.e. the cost of foregoing the opportunity to benefit from utilizing the public fund in other ways.

For private housing projects, however, tens of thousands of house buyers are immediately victimized every year (See Table 1.1). The impacts on the house buyers are twofold: Despite the fact that the purchased properties will not be filled in, the house buyers still have to service bank loans for the unfinished houses (NST Online 2009; Ng 2011; Rahman 2012) and in the meantime have to rent another house to stay (Chang 2009; Ng 2009b). They also suffer losses for being unable to reap the advantages from potential property value appreciation and rental collection (Chow 2009). Some house buyers have even been blacklisted by the banks as they fail to service their bank loans (Yip 2009b; Yip 2009a). Therefore, they are unable to purchase another property unless they pay back their loans (Yip 2009a).

House buyers of deserted projects have frequently been forgotten without any assistance from the developer and have to resort to the long-winded process of forming a committee to deal with the developers and the authorities (Ali 2011; Chang 2009; Chow 2009). There are cases which have been dragged on for so long that some owners have even passed away before any plan to revive the project is in place (Chan 2009). Although occasionally settlements are achieved between the developers and the house buyers, the settlement amount might be disproportionate to the actual losses sustained by the house buyers (Lim 2009; Yip 2009a). The buyers often have no choice but to