

CHAPTER 1

INTRODUCTION

1.1 Introduction

The number of abandoned housing/building in Malaysia are keep increasing year by year due to the construction industries are growing fast. Despite several effort had been done from government, it still exist in this country. Abandoned housing/building is described as abandoned when a project had start on a specified date but they have to stop the construction due to some problem. This study is to identify the implication of abandoned housing/building project in Malaysia. The Ministry of Housing and Local Government (MHLG) is the agency responsible in managing and monitoring the residential buildings construction in Malaysia. The project that can be delay is not only a building, the construction of dam, bridge, road and other civil work can be delay.

A project is also classified as abandoned if, within this six month period, the developer has been wound-up and the company taken over by an official receiver or private liquidator recognised or affirmed by the Housing Controller, who is the Secretary-General of MHLG. Such abandonment are just not limited to buildings alone, but there are also roads, industrial structures, bridges, factories, dams, electricity, communication projects and so on, that gets abandoned as well. Apart from house buyers, contractors, developers, banks, land owners, and government may also be the victims. Contractors may be the most severely affected victim after house buyers. Normally the contractors would not abandon the projects if the developers have paid them accordingly. The contractors may be forced to wind up the company just because of the failure of collection of payment from one single project. The consequences may be extended to businesses along the supply chain such as subcontractors, suppliers and construction workers.

Abandoned project nowadays is usually being a topic for a people like architect, engineer, consultant that are from construction industry to be discuss because the number of abandoned project are keep increasing by year. In this problem, it cannot put the blame only to one parties because the project are been planned by several parties, and if one of the stage is fail, authorise person need to been responsible and solve the problem before it become abandoned. Successful companies must deliver projects on time and within budget; as well as meet specifications while managing project risks (Raymond and Bergeron 2008).

House buyers of abandoned projects have often been left without any assistance from the developer and have to resort to the tedious process of forming a committee to deal with the developers and the authorities (Ali 2011; Chan 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 reached between the developers and the house buyers, the settlement amount might be disproportionate to the actual losses suffered by the house buyers (Lim 2009; Yip 2009).

1.2 Background of Study

“Project delay” is the project which is experiencing delays in the construction period where there are different gaps between the actual in-progress sites work compared to the work scheduled, which is between 10% and 30%. A housing project is classified as "abandoned" by the Ministry of Housing and Local Government (MHLG) when there is no activity at the project after the expected date of delivery of vacant possession. This is based on the date of the first Sale and Purchase Agreement (SPA) signed between the developer and a purchaser.

The Gross Development Product (GDP) growth of the construction sector has recorded a growth of 22.2% in the second quarter of 2012 (BNM Quarterly Bulletin, 2012) driven mainly by the civil engineering sub-sector.

1.3 Statement of the Problem

In Malaysia, the rapid urbanization growth rate since the early 1970's have made the growth rate of the housing is a key factor in the growth of Malaysia's economic. Residential is a basic human need after food and meaningful employment. However, at the rate that house prices are raising in Malaysia, it is beginning to be beyond the reach of even the middle income group (Berita Arkitek, 2013). In 10th Malaysia Plan, Malaysia has experienced rapid urbanization of the population in urban areas increased by 2.2% compared to the rural population at a rate of 1.6% for the period 2000 to 2009. With this increasing of population, the demand in housing sector becomes most important to ensure for the comfort of Malaysia citizens.

Abandonment of construction projects is considered one of the most and serious problems plaguing the Malaysian construction industry given the number and the value of the projects involved. It affects not only the immediate purchasers but also other project players and the general public. Sometimes it also involves expending public fund to revive abandoned projects. For a housing project, the Ministry of Housing and Local Government considers that it has been abandoned if there has been no substantial activity on site for six consecutive months, it is involved in a winding-up petition registered at the High Court under Section 218 of the Companies Act, it is under receivership, or the developer has informed the Housing Controller in writing of his inability to complete the project. However, as aforementioned, this definition is only for housing projects whereas this study covers all types of construction projects which might not be governed by Act 118.

Abandoned construction projects also may give a negative effect to the society and environment. For instance, it can threaten the community's health due to the breeding of mosquitoes on the stagnant of water at the abandoned housing project. Then, the abandoned construction project may be used as rubbish dump. Abandoned construction projects also attract people like drug users, criminals and vagrants to occupy the abandoned sites (Chan 2009; Perumal 2009; RC 2010) and hence threaten public security.

Other than that, abandoned housing project may pose danger to the public, particularly children who venture into the area to play (Stuart 2009). Also, some have