

PERPUSTAKAAN UMP



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**THE SURVIVOR
INDUSTRY RELATED GOVERNMENT CONTRACT WITH SPECIFIC AT
KELANTAN**

OR IN CONSTRUCTION

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ABSTRACT

Class F contractors are the most number of contractors all among contractors' classes in Malaysia. The presence of many contractors gives effect to the government. The total number of Class F contractors nationwide stood at 29, 349 while the company from only the state of Kelantan are 2,296. Many Class F contractors rely on contracts issued by the government alone and not interested in getting the project issued by the private sector. This study evaluates the level of Class F contractors' dependence on government contracts. The data were collected by conducting document study with Pusat Khidmat Kontraktor (PKK), various government departments, that involved directly in connection with the granting of government contracts to contractors Class F. Also, 40 set of questionnaire were distributed among the Class F contractors in Kelantan. The results show that the main reason of Class F contractor more interested in government project rather than private sector is due to the thoroughness of the private sector in choosing a qualified contractor to perform the contract, with 4.03 Average Index Value (PI). The main problem faced by Class F contractor is the intense competition in getting contract as there are so many Class F contractors in the market. Among the measures to minimize on government contracts are ensuring 10% allocation in the Class A Contractors is distributed to Class F Contractors, limit of licence contract and urge the government to issue the annual Class F grant.

ABSTRAK

Kontraktor Kelas F adalah jumlah kelas kontraktor yang paling ramai dari kalangan kontraktor di Malaysia. Kehadiran mereka memberikan pengaruh kepada kerajaan. Jumlah kontraktor Kelas F bagi seluruh negara mencapai 29, 349 sementara bagi negeri Kelantan sahaja jumlah mereka adalah 2,296. Kebanyakan kontraktor Kelas F bergantung pada kontrak yang dikeluarkan oleh kerajaan sahaja dan tidak tertarik untuk mendapatkan kontrak yang dikeluarkan oleh sektor swasta. Kajian ini menilai tahap kebergantungan kontraktor Kelas F pada kontrak kerajaan. Data dikumpulkan dengan melakukan kajian dokumen dengan Pusat Khidmat Kontraktor (PKK), pelbagai jabatan kerajaan, yang terlibat secara langsung dalam pemberian kontrak kerajaan kepada kontraktor Kelas F. Di samping itu, 40 set borang soal selidik diedarkan di kalangan kontraktor Kelas F negeri Kelantan. Keputusan kajian menunjukkan bahawa alasan utama dari kontraktor Kelas F lebih tertarik dalam projek kerajaan daripada sektor swasta adalah kerana ketelitian sektor swasta dalam memilih kontraktor yang memenuhi syarat untuk melakukan kontrak, dengan 4.03 Nilai Purata Index (PI). Masalah utama yang dihadapi oleh kontraktor Kelas F adalah persaingan yang ketat dalam mendapatkan kontrak kerana terdapat begitu banyak kontraktor Kelas F di pasaran. Antara langkah-langkah untuk meminimumkan kebergantungan atas kontrak kerajaan adalah dengan menyediakan 10% peruntukan dari Kelas A Kontraktor diagihkan kepada Kontraktor Kelas F, penghadan kontrak lesen dan mendesak kerajaan untuk menerbitkan geran tahunan Kelas F kontraktor.

TABLE OF CONTENT

CHAPTER	TITLE	PAGE
1	Introduction	
	1.1 Background	1
	1.2 Problem Statement	3
	1.3 Objectif	4
	1.4 Scope Of Study	5
	1.5 Significance Of Study	5
2	Literature Review	
	2.1 Introduction	6
	2.2 Definition Of Contractor	6
	2.3 Definition Of Contract	7
	2.4 Types of Contractor	8
	2.4.1 Main Contractor	8
	2.4.2 Sub Contractor	8
	2.5 Classes Contractor by the CIDB	9
	2.6 Classes Contractor by the PKK	11
	2.7 Contractor Registration	11
	2.8 CIDB	12
	2.9 Contractor Service Centre (PKK)	13
	2.10 Field Work Contractor	14

TABLE OF CONTENT

CHAPTER	TITLE	PAGE
2	2.12 Recognition Of Bumiputera	16
	2.13 Class F Contractor in Malaysia	18
	2.14 Contractor In Kelantan	19
	2.15 Class F Contractor In Kelantan	20
	2.16 Contractor are Active ,Inactive and Dormant	21
	2.16.1 Category Active	21
	2.16.2 Category Inactive	21
	2.16.3 Category Dormant	22
	2.17 Getting Contractor Contract Jelly District Development Office	23
	2.18 Getting Contractor Contract Tanah Merah Development Office	23
	2.19 Getting Contractor Contract Machang Development Office	24
	2.20 Problem from Contractor	25
	2.20.1 Fund	26
	2.20.2 Less Material	27

TABLE OF CONTENT

CHAPTER	TITLE	PAGE
3	Methodology	
	3.1 Introduction	28
	3.2 Literature Review	30
	3.3 Questionnaire	30
	3.3.1 Part A	31
	3.3.2 Part B	31
	3.4 Method Of Data Analysis	32
	3.4.1 Average Index	32
	3.4.2 Average Classification Index	33
4	Analysis And Result	
	4.1 Introduction	34
	4.2 Feedback Questionnaire	35
	4.3 Age Of Company	35
	4.4 Contract Number received from the Government	36
	4.5 Total cost of contract received from government (2009-11)	38
	4.6 Number raised from Private Contract	39
	4.7 The total cost of project from private provision in 3 years	41
	4.8 Contractor depend on government contracts	41

TABLE OF CONTENT

CHAPTER	TITLE	PAGE
4	4.9 Factor problems faced by contractor in getting the Contract project	43
	4.10 Contractor action in solving contract problem	45
	4.11 Suggested about the steps proposed solutions in getting Contract/project	46
5	Conclusion and Recommendation	
	5.1 Introduction	47
	5.2 Conclusion	50
	5.3 Recommendation	51
REFERENCE		
APPENDIX	A	54
APPENDIX	B	55

LIST OF TABLE

TABLE NO.	TITLE	PAGES
2.1	Criteria for registration set by CIDB contractor	10
2.2	Financial Limit of the public work contractor	11
2.3	Statistic for public work contractor by state	14
2.4	Head to head of Sub Contractor Registration of Civil Work	15
2.5	Number of class F contractor in Malaysia	18
2.6	Number of class F contractor in Kelantan	19
2.7	Total number of class F in the state	20
2.8	Number of contractor class F active, inactive and dormant	22
2.9	Data on the number of class F contractor (Jeli)	23
2.10	Data on the number of class F contractor (Tanah Merah)	24
2.11	Data on the number of class F contractor (Machang)	24
4.1	Feedback Questionnaire	35
4.2	Age of the company registered with the Contractor	36
4.3	Contract number from government	37
4.4	Total cost of contract received from government	38
4.5	Number of private contractor to the project in three years	40
4.6	Total cost from private contract in the three years	41
4.7	Factor causing contractor depend on government contract	43
4.8	Number frequency analysis in problem faced in getting contract	44
4.9	Step for Contractor action in solving contract problem	45

LIST OF FIGURE

FIGURE NO.	TITLE	PAGES
3.1	Flow chart of Methodology	29
4.1	Percentage contractor register at Contractor Service Centre	36
4.2	Percentage contractor get contract government	37
4.3	Percentage total cost of contract received from the government	39
4.4	Percentage the number contractor have obtained from contract	40
4.5	The total cost obtained from private projects	41
4.6	Factor why the class F contractor depends on government	
	Contracts	42
4.7	Problem faced by contractor in getting the contract/project	44
4.8	Average index for contractor action in solving contract problem	46
4.9	Average index in proposed solution in getting contracts	48

LIST OF APPENDIX

APPENDIX NO.	TITLE	PAGES
1	QUESTIONNAIRE	53

LIST OF ABBREVIATIONS

PAM	=	Pertubuhan Arkitek Malaysia
BCA	=	Building and Construction Authority Singapore
MO	=	Market Obstacles
IBS	=	Industrialized Building System
CREAM	=	Construction Research Institute of Malaysia
GBI	=	Green Building Index
FDI	=	Foreign Direct Investment
EPA	=	Environmental Protection Agency
IEQ	=	Indoor Environmental Quality
AI	=	Average Index Method
PKK	=	Pusat Khidmat Kontraktor

CHAPTER 1

INTRODUCTION

1.1 Background

The development of the national construction is greatly influenced by Nationwide the economy. The economy is constantly changing, a time to increase at and at other times decreased. High economic growth rate of EUR will be Able to create opportunities for a lot of contracts to Contractors. If the low rate of economic growth opportunities contract established by the government less and is limited by the Ability of the government. The effect of reduced construction Contracts Issued by the government leads the Export for the contract. The most important effects is to Class F Contractors Because most Class F Contractors Rely on Contracts Issued by the government.

According to sources the Contractor Service Centre (PPK, 2010). Total Contractor registered with the Contractors Service Centres throughout Malaysia by 42.248 companies. Contractors are classified into 6 classes of class A, B, C, D, E, and F. According to the Treasury Pekelilng Number 14 of 2002. Export who wish to

tender and quotation has a financial Certain Limits. For Class A Contractors financial limit is more than RM 10,000,000.00. Financial limits of a Class B Export is RM 5,000,001.00 to RM10, 000,000.00. Financial limits of a Class C Export is RM 2,000,001 to RM 5000.000. Class D Contractor financial limit is RM 500,001 to RM2, 000,000.00. Class E Export fianacial limit is RM 200,001 to RM500, 000.00. Class F Contractors financial limit is up to RM 200,000.00.

For Kelantan there are 3.018 registered contractor companies with the PKK. Part of each class are as follows,118 Class A contractors of the Contractor, Contractor Class B of 79 contractor, the contractor of 144 Class C contractors, contractors Class D of 249 contractors, contractors Class E of 132 contractors and Class F contractors by 2296 contractors. From the statistics represent the number of Class F contractors representing 76% compared to other classes.

Of the total obtained from the above data with so many contractors over the number of projects offered by the government and private, this will result in there rivalry for tenders and quotations. In certain circumstances competition can bring good and sometimes even affect the poor to the contractor and the contract itself. In the competition for contracts contractors sometimes offer lower prices than the quality of work should lead to lower quality and thus cause the contractor fails to complete the contract. Number of Class F contractors are so many against the contractor other classes give effect to the government. Of information and data on average Class F contractors rely on government projects alone. Class F contractors are more interested in government contracts than private projects. Class F dependence on government contracts to give effect to the government. Opportunities created by government contracts depends on the rate of economic growth. Government's failure to provide contract opportunities to them, there is a variety of claims by the "Persatuan kontraktor Melayu Malaysia (PKMM)". Government to provide contracts to them. Such claims also affects the country's poor.

Claims made by PKMM can be harmful to the country. This study was done to determine whether Class F contractors dependent on government contracts, find

the problems faced by Class F contractors and find the appropriate measures for Class F contractors and the government that this group does not depend on government contracts.

1.2 Problem of Statement

Based on readings from sources such as books, newspapers, journals and the internet, there are many statements that Class F contractors relies heavily on government contracts. Various claims and recommendations made by the Malay Contractors Association to solve their problems. According Fadzill Mohamad Hassan (2010), Deputy President of the Malaysian Malay Contractors Association urged the Federal Government (PKMM) to increase the basic infrastructure projects and public infrastructure projects across the country to boost the economy and help the Class F contractors. Since the government to reduce the project from the year 2009 most Class F contractors to become inactive and many contractors go bankrupt. He also added 45,000 contractors currently jobless and no one had to find other work, including a security guard and fishing for their livelihood.

Secretary Malay Contractors Association (PKMM) Kelantan branches that lead to difficulties in obtaining project about 80% of the nearly 3,000 Class F contractors state's unemployed with no work and he suggested to the government at least 10% percent of the allocation under the Rancangan Malaysia Kesembilan (RMK-9) in special Class F contractors. Vice President of the Malay Contractors (PKKM) states that government-linked companies (GLCs) do not provide opportunities for Malay contractors although many natives of the ability to carry out work for the GLC.

From the interview and survey discovered from the contractor and the head of the department involved in the distribution of development contracts, the impact of the lack of allocation of government contracts in 2010 was found that many Class F contractors are unemployed and half of them had to find another job as rubber tapping, farmers and fishermen. There are also some Class F contractors fail to renew

a license PKK, CIDB and CCM. There is also a Class F contractors had to sell the assets acquired prior to sustain their own lives and their families.

1.3 Objective

The main objective of this study is to examine the level of Bumiputera Class F contractors dependence on government contracts in Kelantan. With the existence of so many contractors who have contracts also lead to higher possibilities. This study is to understand as to why the contractor natives too dependent on government contracts alone. Referring to the statement of the problem, the objectives have been identified are as follows:

- I . Examine why Class F contractors are more interested in government projects compared to private contracts.
- Ii . To study the problems faced by Class F contractors in getting government or private contracts.
- iii. Propose the necessary measures taken by the Class F contractors and the government not to rely on government contracts.

1.4 Scope of Study

The scope of this study covers only contractors registered with the natives Contractor Service Centre (PKK) Class F in the state. The Department is involved in the study is the Kelantan Federal Development Department. Tanah Merah development office, the Office of the District Development Machang and Jeli Colonial Development Office. Research and surveys include Class F contractors.

1.5 Significant of Study

The study is to identify the problems often faced by Class F contractors and find the most suitable method for Class F contractors are not dependent on government contracts. Class F contractors should be a sensible vision of their own with the creation of a coalition between them. Statistics by the Contractor Service Centre is also true for 80% of them are natives of the contractor. From this study can also be used as a guide to Class F contractors in order better to independence and creating their own contracts, particularly in the areas of property development, property developers and others.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

In 2005 a study was made by the Contractors Service Centre (PKK) significant improvements on a contract license application. In 1992 the total number of contractors is 2,500 contractors in all classes. The number increased to 42,000 in 2010 contractor number of contractors are so many causes, especially Class F contractors government issued a directive that temporarily frozen the issuance of licenses for the class F. Number of Class F contractors are so many causes of government not provide opportunities to those contracts.

2.2 Definition of Contractor

Contractor is a party entrusted by the customer to carry out construction work at the construction site from the beginning of work until the end of the project. The contractor shall perform the duties according to specifications set by the customer and agreed by the contractor in the contract documents were signed.

All construction work performed is the responsibility contractor will receive a response or gain in the form of payment from the employer or client. The fee is in consideration and sub-contractors and it was determined with the agreement of the parties involved both of the contractor and the customer.

Agreement will exist with certain conditions between the contractor and the customer as well as several other parties involved, then the agreement will form a contract document. During the construction process is carried out of this contract document is the basis of the reference to any problems that arise both in the contractor or other parties involved. Contractors can be broken down into three main categories iatu main contractor, the contractor sub-contractors and sub-contractors named.

2.3 Definition of Contract

The contract is an agreement between both parties to do something, in return for the promise of the other party will develops consideration of the promise. Two-party contracts involving promises made by both parties and the contract of the parties there is only one party makes a promise to the other party. According to Act 520, Sect. 1 (1968) defines that the contract is a person who undertakes to carry out and complete any work the construction. While Dressel (1968) to mean the contractor as the authority and take the final responsibility in both internal and external aspects of the firm and investment modal.

2.4 Types of Contractor

Construction contractors are divided into two main categories of contractors. The main and sub-contractors. This division is based on certain factors such as the ability and expertise and also due to the influence and involvement in the construction

2.4.1 Main Contractor

The main contractor is the most instrumental in the works the construction. The main contractors deal directly with other parties such as customers. This relationship is in areas such as supply and consensus process of discussion. The main contractor is the head of acting to control and manage other members underneath so that the work is done well and perfectly without any problems. This is consistent with its main task realize all that is on the construction drawings. The main contractor was acting head of controlling and managing other members underneath so that the work is done with well without any problems. This is consistent with its primary task is to realize all that is on the construction drawings. In addition, the main contractor is also responsible for appointing and establishing contracts with sub-contractors and contractors in carrying out his duties. The main contractor should be wise in managing the activities of subcontractors and other aspects such as finance, time and quality.

2.4.2 Sub Contractor

Sub-contractor is a small contractor in its class and has a limited field. It is the contractor who has specific expertise in construction work such as concrete, wood, bridges, walls and so on. It serves to complete the work of the main contractor in a construction project. Sub-contractors deal only with the main contractor only in the case connection with the work, payment and construction problems.

Usually a subcontractor does not focus on one project. It will move on to other projects that require skills in which he made when the project is completed. Sub-contractors which is divided into two sub-contractors and sub contractors called domestic. The difference was the manner of appointment and is limited to the expertise they have.

a) Nominated Sub-Contractor

Nominated sub-contractors are sub-contractors who were appointed by the customers to perform work under the main contractor. Sub-contractors usually have expertise in maintenance work and mechanical and electrical work. Also known as sub-contractors appointed directly by the customer without the intervention of the main contractor.

Sub-contractors appointed by the customer to have a relationship with the customer in terms of managing customer contracts or relations of friendship. It was chosen based on good performance in implementing the contract.

b) Domestic Sub-Contractors

Domestic sub-contractors are sub-contractors appointed by the main contractor. Sub-contractors are appointed to complete the construction work in a particular expertise quickly to facilitate the main contractor. Cooperation should exist in the sub-contractor and main contractor. The role of subcontractors is important to help a project can be completed within the stipulated period.

2.5 Classes Contractor by the Construction Industry Development Board (CIDB)

Table 2.1 shows the grades of classified contractors by Construction Industry Development Board (CIDB), from grade to grade G3 G7 set of capabilities in tendering paid-up capital / paid up, the individual's approval, registration fees, and processing.

Table 2.1: Criteria for registration set by CIDB contractor

Gred	Ability tendering (RM)	Fund Paid/ Fund accumulated	Individual Approval and Technical	Registrar fees Am (RM/year)	Fees RM/year	Process RM/year
G7	No limit	75000	1 Group A and 1 Group B (Both minima 5 year experience) or 2 Group A (one only 5 year)	1400	50	30
G6	Less than 10 million	500000	1 Group A and 1 Group B (one of 3 years minima)	1000	50	30
G5	Less than 5 million	250000	1 Group A and 1 Group B (experience minimum 1 years)	700	50	30
G4	Less than 3 million	150000	1 Group B	350	50	30
G3	Less than 10 million	50000	Cert / experience	150	50	30
G2	Less than 500000	25000	Cert / experience	80	50	30
G1	Less than 10000	5000	Cert / experience	20	50	30

2.6 Classes Contractor by Contractor Service Centre (PKK)

Table 2.2 shows the classes of contractors in accordance with limits set by the PKK keawangan the cost of work for public works contractors. This schedule applies to projects that have not been advertised or offered.

Table 2.2: Financial Limits of the Public Works Contractor

Class	Financial Limits (RM)
A	More RM10,00000.00
B	RM5,000,001 till RM10,000,000
C	RM2,000,001 till RM5,000,000
D	RM500,001 till RM2,000,000
E	RM200,001 till RM500,000
F	Until RM200,000

2.7 Contractor Registration

All contractors in Malaysia involved in the construction sector need to register the company under a particular body. Registration is for the qualification of construction work. Ministry of Works Malaysia has been appointed to manage the CIDB and PKK Contractor Registration.

2.8 Construction Industry Development Board (CIDB)

Contractor Registration required by the laws of Malaysia. It is as contained in Act 520, Part VI, section (1), (1994):

” No person shall undertake to carry out and complete any construction work unless he is registered with the Board and holds a valid certificate of registration issued by the Board.”

“Constuction work” means the construction, extension, installation, repair, maintenance, renewal, transfer, modification, alteration, dismantling, or demolition:

- i. any building, structure, edifice, structure, wall, fence or chimney, whether constructed wholly or partly above or below ground level;
- ii. any road, harbor works, railway, online access and cable TV, canal or aerodrome;
- iii. any drainage, irrigation or river control
- iv. any electrical, mechanical, water, gas, petrochemical, or telecommunication work
- v. any bridge, bridge, dam, reservoir, earthworks, pipeline, culvert, drive, shaft, tunnel or reclamation works,

And includes any works which form part of, or is preparatory to or temporary for the works described in paragraph (i) to (v), including site clearance, research and improvement of land, transfer of land, excavation, laying the foundation , restoration and landscape the site (Act 520 Sect 1, 1994)

2.9 Contractor Service Centre (PKK)

Contractor Service Centre was established on June 30, 1981 with the name Service Coordination Center indigenous contractors (PUSAKABUMI) and placed under Penyelaran and Implementation Unit of the Prime Minister. On January 1, 1987, its name changed to the Contractor Service Centre (PKK). In accordance with the increase in the functions and powers. On October 27, 1990, the PKK moved to the Ministry of Public Enterprises and subsequently in 1995, PKK to be part of the Ministry of Entrepreneur and Cooperative Pembangunan. Starting from the year 2008 under Ministry of Works Malaysia. First task is to help solve the problems faced by Bumiputera contractors (RFS, 2002).

Duties and responsibilities of the PKK as set by the Government On April 11, 1984 is divided into four, namely:

- I. Central registration of all contractors working on federal and state levels and related business.
- II. Giving recognition to indigenous contractors qualified
- III. Referral center concerning contractors working
- IV. To provide advice and assistance to contractors natives to perform the contract, but not limited to the departments / agencies which have no particular unit itself to provide assistance to them (RFS, 2002).

All contractors working for the business registration of job offers is controlled by the PKK (Treasury Instruction 1984). All the work tenders issued on or after 1 st January 1998 is only open to contractors registered with the PKK alone. As of December 31, 2010 of 42.248 public works contractors registered with the PKK as in Table 2.3.

Table 2.3: Statistics for public works contractors by state and class until 31Disember 2011

State	Class Kontraktor						
	A	B	C	D	E	F	Total
Johor	105	75	182	404	275	2533	3574
Kedah	109	65	111	172	88	2552	3097
Kelantan	118	79	79	249	132	2296	3018
Melaka	42	20	62	196	128	1333	1781
N.sembilan	42	38	94	306	186	2080	2746
Pahang	73	59	150	341	229	2169	3021
Perak	68	64	122	430	219	2641	3544
Perlis	16	17	31	65	10	1043	1182
P.pinang	119	67	181	133	100	1295	1895
Sabah	235	119	112	427	279	2319	3491
Sarawak	207	98	82	139	272	961	1759
Selangor	442	236	627	517	350	4238	6410
Terengganu	133	123	259	356	148	2320	3339
W.persekutuan	540	255	401	472	154	1569	3391
Total	2249	1315	2558	4207	2570	29349	42248

2.10 Field Work Contractors

Contractors are required to register the head and sub-head to be applied. Head and Sub-heads that exist are based on specific work areas as shown in Table 2.4. Each head (heading) contains a sub-head (sub title) works public works contractors