

**SPEECH
FOR
YANG AMAT BERHORMAT DATUK PATINGGI TAN SRI (DR)
ABANG HAJI ABDUL RAHMAN ZOHARI BIN TUN DATUK ABANG
HAJI OPENG
PREMIER OF SARAWAK**

ENHANCING SARAWAK'S CONSTRUCTION INDUSTRY

8TH FEBRUARY 2023

10:30AM

BORNEO CONVENTION CENTRE KUCHING (BCCK)

(SALUTATIONS)

Assalamualaikum and a very good morning.

1. First and foremost, I wish to thank the Ministry of Infrastructure and Port Development, on its commendable effort in organizing this Seminar on “Enhancing Sarawak’s Construction Industry” in collaboration with the State Financial Secretary’s Office, JKR Sarawak and CIDB Sarawak.
2. It is good to see the attendance and participation of all the key players who are driving the construction industry.

Ladies and gentlemen,

Post Covid-19 Development Strategy (PCDS)

3. The Post COVID-19 Development Strategy (PCDS) 2030 is a long-term plan that has been formulated by the Sarawak Government to provide directions for Sarawak in order to make that quantum leap to achieve its aspirations of becoming a developed and high-income Region by 2030 where “basic infrastructure” had been identified as one of the 7 enablers to support the 7 strategic thrusts with greater emphasis on innovation, creativity and competitiveness. The success of PCDS 2030 invariably depends on the collaboration between the public and private sectors to spearhead the recovery of Sarawak’s socio-economic status.
4. We need to grow our local economy as well as attract potential investors to accelerate our socio-economic growth. Hence, to ensure that we must provide reliable and convenient infrastructure facilities for both our local communities and investors alike.
5. Reliable infrastructure such as roads, bridges as well as buildings and other necessary amenities are critical if our economic sector is to implement an

investment strategy that can truly contribute and spur Sarawak's economic growth.

Ladies and gentlemen,

Economic Prosperity Through Infrastructure Development

6. Therefore, I would like to emphasize that the development of infrastructure in Sarawak is a major catalyst for Sarawak's economic growth that will also augment growth, productivity and quality of life for all Sarawakians.
7. To-date, RM11 billion has been allocated for the Coastal and Second Trunk Road projects and under the development budget, 60% or RM4.5 billion is targeted for development in rural areas as part of our social inclusivity goals. Sarawak's major infrastructure development focuses to close the gap between the rural and urban communities by providing and improving accessibility for the rural population.
8. By closing the rural and urban gap, all Sarawakians will have equal opportunities to participate in the State's overall development and enjoy equitable distribution of wealth through jobs and business opportunities.
9. No one should be left behind. Our PCDS 2030 aspirations emphasize greatly on the inclusivity of all Sarawakians and for Sarawak to be high a high income and developed State by 2030. It is thus imperative for us to work together to deliver all infrastructure work in a timely manner for the benefit of the Rakyat being served.

Ladies and gentlemen,

Issues and Challenges on the ground

10. Pursuant to Sarawak's manifesto to mitigate the adverse effects of Covid-19, relevant initiatives have been carried out accordingly where various task forces have been established to delve into the price increase of constructions materials

as well as resource and capacity issues encountered in the industry. Strategic solutions via additional construction materials proposed for VOP, enhancement of contract administration procedures as well as resource and capacity leveraging measures have all been recommended to deal with the aftermath of Covid-19 and to arrest the current debilitating scenario in the construction industry.

11. The global surge in the prices of essential construction materials has afflicted all construction contracts under the purview of Sarawak, where this has correspondingly affected contractors' cashflows, translating this into project delays on the ground.
12. JKR Sarawak had reported to me the present status of project implementation which is of great concern. As of 27 January 2023, out of 215 projects under construction, 34 projects are critically delayed, 29 projects is behind schedule and 149 projects on schedule. I also received feedbacks during the State Development Coordination Committee Meetings (SDMC) where the last two briefings were held in Bintulu Division and recently in Kapit Division. The next meeting will be in Miri Division.
13. After being briefed by the respective implementing agencies in the respective areas, I noticed that there are many issues and challenges encountered on the ground including the contractors' lack of commitment and poor performance for example:
 - (i) Cadangan Membina Dan Menyiapkan Muzium Pembangunan Limbang: Galeri Sejarah Pentadbiran Limbang, Sarawak (delayed for about 1 year);
 - (ii) Upgrading of Five Roundabouts Along Kuching-Samarahan Expressway (delayed for 2 years);
 - (iii) Proposed Marudi Bridge Over Batang Baram Miri Division, Sarawak (delayed for approximately 3 years);
 - (iv) Proposed Road from Jalan Lubok Tranggus to Kpg Gedong, Samarahan (delayed for 1 year); and
 - (v) Proposed Jalan Kampung Medong/Lebrassau/ Kampung Klid, Daerah Dalat, Bahagian Mukah (delayed for 2 years).

14. Hence, all contractors are hereby reminded to be serious and more committed when it comes to the implementation of projects under the purview of the Sarawak Government. Integrity and professionalism must be upheld in the course of project execution. It is therefore imperative that contractors take cognizance with regards to their own capacity and capabilities when undertaking government projects. Contractors must ensure that measures and initiatives are taken to build up their firms' resources especially in terms of their financial and technical capabilities. As such, errant / incompetent contractors will no longer be tolerated.
15. Thus, based on the New Tender Evaluation Model, JKRS Nilai – the evaluation criteria have been duly strengthened and made more stringent to sieve out purportedly incompetent and irresponsible contractors.
16. The Sarawak Government takes its development goals very seriously and will also on our part do our utmost best to assist bona fide industry players to ensure project delivery excellence.
17. Therefore, I have instructed the State Financial Secretary's Office (SFS), Ministry of Infrastructure and Port Development Sarawak (MIPD) and JKR Sarawak to facilitate and engage with all stakeholders including industry players – to work out a plan and establish the best possible solution to resolved issues and challenges that the industry players may have on the ground.
18. The Sarawak government will take up the proposal and is ever ready to assist where possible to ensure that all infrastructure development projects can be delivered timely to the Rakyat, for the Rakyat.

Ladies and gentlemen,

Government's assistance

19. In line with the Federal Government's manifesto to reintroduce the Special Provisions for Variation of Price (VOP) in Government works contracts, Sarawak had correspondingly established its own VOP initiative vide the Surat Pekeliling Setiausaha Kewangan Negeri Bil. 06/2021 dated 28 September 2021 on "Pemudahcaraan Prosedur Perolehan Bagi Projek-Projek Kerajaan Negeri di Bawah Pakej Bantuan Khas Sarawakku Sayang (BKSS 7.0) 2021, to alleviate the financial woes faced by the contractors affected by the pandemic.
20. The VOP is to reflect accurately current market sentiments pertaining to the price fluctuation of materials, intended to alleviate the dire circumstances encountered in the built industry by easing the margin erosion faced by contractors but most importantly to ensure the delivery of Government projects during these unprecedented times.
21. Sarawak, in a bid to provide further assistance to contractors involved in the implementation of projects under the purview of the Regional Government - introduced another proposal to incorporate additional essential construction materials under the Variation of Price (VOP) on top of those already approved via Surat Pekeliling Setiausaha Kewangan Negeri Bil. 12/2022 dated 6 September 2022, "Pelaksanaan Syarat-syarat Perubahan Harga (Variation of Price -VOP) dan Inisiatif Tambahan Pasca Pandemi dalam Kontrak Kerja Kerajaan Negeri".
22. Further to the incorporation of new and varied items in the Variation of Price list, the Regional Government in its stance to safeguard the interest of the industry and the Region's economy is approving the following new incentives:
 - (i) Advance Payment for works contract;
 - (ii) Allowing up to 3 payments to be made without the contract documents in the first 4 months of the contract period;
 - (iii) Lower rate of Liquidated and Ascertained Damages imposed;

- (iv) Lower Minimum Payment as well as other measures to alleviate projects majorly and adversely affected by the price hikes;
 - (v) Extension of Time (EOT) for projects with progress of at least 60% based on the works programme; and
 - (vi) Mutual Termination subject to prevailing criteria imposed.
23. These are measures effected to minimise or even eradicate critically delayed projects, to assist contractors' project cashflows as well as to achieve that "win-win" situation for all parties under Sarawak Government contracts.
24. The Government in its effort to improve the construction industry's competitive edge is also currently working towards the development of strategies for industry players to become global solution providers as well as to provide necessary leverage to support sustainable wealth and value creation due to the huge impact the industry has on the nation's economy with approximately 1.5 million people being employed under the sector with an expected annual growth of 5% in the next 3 years.
25. These initiatives have been undertaken to further assist in the recovery of the local construction industry and the timely delivery of projects in Sarawak.
26. In addition, the relevant departments have also reviewed their current process and procedures to accommodate to market needs and to ensure the success of project implementation.
27. I have advised SFS, MIPD and JKRS to formulate further initiatives to support and enhance the project management and contract administration of projects.
28. The support provided by the Government may not be sufficient to alleviate the adverse effects of the pandemic, but nonetheless the assistance rendered will reduce and minimize margin erosions in the industry.
29. It is thus my most fervent hope that these new initiatives will be able to sustain the local built industry and be in a better position to face the future challenges.

Ladies and gentlemen,

Government – Private Engagement

30. I am confident that with the concerted support of the Sarawak Government, the civil service and proactive private sectors, all working extremely hard to develop Sarawak, together we can realize Sarawak's 2030 aspiration.
31. We must work hand in hand to achieve our targeted Sustainable Development Goals and commit ourselves to be resilient and be inclusive. The success of our vision will greatly depend on active collaboration between Government and Private sectors.
32. Effective communication is essential if we are to achieve a successful business outcome. Please make full use of this platform to communicate your valuable ideas to the agencies responsible for setting up the necessary directions for Sarawak.
33. They might have been working on a new system which you in the private sector may not have been aware of. On the other hand, your brainchild might make a huge difference and contribute to a better workflow.
34. Thus, communication is crucial towards achieving the Region's goals.

Ladies and gentlemen,

Conclusion

35. The Sarawak Government in according top priority to the enhancement of the socio-economic development of the Region, is striving to minimise the development gap and disparities between the rural and urban areas as well as to generate overall Regional growth through inter alia creating and spearheading the impetus for strategic professional acuity within the civil service and to elicit patterns of human actions that will produce the most

desirable results to form a solid pedestal for effective service to the Rakyat.

36. As a reiteration of the Regional Government's commitment, we have forayed relentlessly to eradicate inefficacy and inefficiency with a conviction to perform and deliver. A distinctive ethos or culture for the maintenance of high-level proficiency has been established where the crux of the Regional Government's challenge is therefore, the anticipation of change coupled with the ability to cater for that change for the sustainability of quality as well as to re-instil the public's confidence in a Government that truly upholds the interest of the Rakyat being served.
37. This is the Regional Government's unwavering promise, commitment and dedication to the industry in a concerted effort to globalise and put Sarawak on the map of the world.
38. I hope, all of us can work together and facilitate each other's success, be it the achievement of either the Government or Private sector – all for the glory Sarawak.

Together, we can make things better.

Jaga Sarawak, Intu Sarawak.

Thank you.

-END-

Overview of 12MP Deliverables

Programme	Pre-Contract Project		Under Construction Project		Completed Project (from 2021)	
	No.	Ceiling Cost (RM/Billion)	No.	Contract Cost (RM/Billion)	No.	Contract Cost (RM/Billion)
12 MP State	204	3.293	85	3.720	81	2.122
12 MP Federal	186	3.638	85	2.085	73	1.622
Coastal Road	7	0.509	28	4.065	8	0.103
Second Trunk Road	8	3.490	6	1.919	0	0
Pan Borneo Highway	0	0	10	15.537	0	0
Sarawak-Sabah Link Road (Phase 1)	0	0	1	1.020	0	0
Total Project: 782						
Total Value: RM43.123 Billion	405	RM 10.930 Billion	215	RM 28.346 Billion	162	RM 3.847 Billion
Breakdown %	52%		28%		20%	

Under Construction Project Performance-Statistic & Analysis



Programme	Project Under Construction	Contract Sum RM (Billion)	Critically Delayed Projects (DECEMBER 2022)	
			Projects	Contract Sum RM (Billion)
Building	103	2.425	15	0.404
Road	40	2.350	12	0.800
Bridges & Wharves	11	0.559	1	0.188
Rural Development	16	0.471	3	0.108
Coastal & Second Trunk Road	34	5.985	2	0.483
Pan Borneo Highway	10	15.537	1	1.635
Sarawak Sabah Link Road (Ph. 1)	1	1.020	0	-
TOTAL	215	RM 28.346 Bil.	34 (16%)	RM 3.619 Bil.