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## Foreboding news dampens Chinese New Year cheer

The Edge, Malaysia



Wee (seated, centre) chaired the first MBAM Council meeting this year ahead of the Chinese Lunar New Year. Council members waving angpows during the exchange of the customary season's greetings.

# Foreboding news dampens Chinese New Year cheer

Contractors ushered in the Lunar New Year in a celebratory mood, feasting and letting off firecrackers to ward off evil and welcome good tidings.

Keeping a tradition that they never fail to observe, they shuttered their work sites and piling work fell silent for about two weeks during this period.

However, their exuberance for the Year of the Wood Snake was somehow reduced even as they revelled because of concerns of a cash crunch. After having paid bonuses and overtime to their workers, they face higher energy costs. Tenaga Nasional (TNB) had announced a rise in tariffs from July

that will push up building material prices along with other items in the construction industry's supply chain in the near future.

They know that tough times lay ahead now that the government has introduced the new threshold minimum wage of RM1,700 from this month and is proposing a mandatory 2% contribution to the Employees Provident Fund for all foreign workers. The matter is now being debated in parliament.

### TNB tariff hike

As the saying goes "When it rains, it pours". Like those of petrol prices, the upcoming price increase in electricity will have a spiralling effect on all production costs.

On the plus side, share investors benefited when TNB's share price rose 66 sen — a 48% year-to-date gain.

From July 1, TNB will raise its tariff by 14.2% to 45.62 sen/kWh from the current 39.95 sen/kWh. Contractors must brace for higher energy costs in their future tender submissions but for now, because they have signed fixed-price contracts for ongoing projects, there isn't anything they can do.



MY SPACE BY  
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### Minimum wage now at RM1,700 per month

The RM1,700 minimum wage imposed from Feb 1 has caused an increase in the cost of doing business. The earlier threshold, imposed in 2022, was RM1,500.

Small and medium-sized enterprises, which form the backbone of the construction industry, are badly hit as they are locked in fixed-price contracts without any chance to factor in the wage increase.

As labour costs form the bulk of total project expenditure, any wage adjustment will weigh on project budgets, further straining an already struggling sector grappling with inflation, higher material costs and economic uncertainties.

MBAM suggests that the government consider implementing a structured mechanism to allow for variation of price (VOP) clauses in contracts to address unexpected cost escalations and provide incentives such as grants for technology adoption and training programmes.

The construction industry must move towards a high-productivity culture where wage increases are justified by improved efficiency, technology adoption and professional work ethics.

Without a shift from a "just do my job" mentality to a collaborative mindset, higher wages could burden employers rather than uplift the construction industry.

### EPF contribution for foreign workers

The government should do a survey on how the 2% EPF contribution by employ-

ers and 2% by foreign workers are being perceived by all stakeholders. MBAM feels neither side will gain when foreign workers are not able to take home their full pay, while employers have to bear extra costs. Plus, the EPF has to pay dividends on these contributions.

Perhaps, it might be the right time for the government to consider legalising undocumented foreign workers.

### Johor Bahru-Singapore Rapid Transit System (RTS) Link project

MBAM is glad that the construction of the RTS project is proceeding smoothly. Once completed in December next year, it will move about 10,000 riders per hour, per direction.

The proposed mixed-use development by MRT Corp and Sunway Group near the Bukit Chagar RTS station in Johor Bahru and the plan to build an elevated Autonomous Rapid Transit linking it to the station will spur the economic development of Johor.

### Donate to MBAM Building Fund

MBAM is pleased to share that the construction and development of its new headquarters at Persiaran Harmoni, Putra Heights, is expected to be completed in three months' time.

The headquarters built using the Industrialised Building System is a pilot project to showcase the successful application of the new CIDB form of contract where both contracting parties agree to collaborate to resolve disputes over cost overruns.

The headquarters constructed by Gamuda Industrial Building System Sdn Bhd will house MBAM's new secretariat office, the MBAM Centre of Excellence and CIDB Construction Mediation Centre under MBAM.

The total construction cost is about RM8 million and the interior design cost is RM1.6 million. We are short of RM5.2 million and will raise funds by granting naming rights to some of our building and training facilities and rooms.

Oliver Wee is president of MBAM and business development director of Tim Selcata Sdn Bhd