

PRESS RELEASE

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**OPENING ADDRESS BY MR PETER SUNG, MINISTER OF STATE
(NATIONAL DEVELOPMENT) AND (HOME AFFAIRS),
AT THE OPENING OF CONSTRUCTION PROSPECTS '91 SEMINAR
AT WESTIN STAMFORD ON WEDNESDAY, 9 JANUARY 1991 AT 9.00 AM**

1990's Performance

The construction industry has done remarkably well for 1990. Preliminary estimates show that the total value of contracts will hit \$6.9 billion. This is a 25 per cent increase over the previous year.

The public sector contributed 51 per cent of the contracts. The private sector also showed strong growth until September, when business sentiments softened because of the Gulf Crisis.

Outlook for 1991

Prospects for this year remain good. The public sector, which traditionally accounts for a big slice of the market, will continue to invest in developing and upgrading the existing infrastructure.

Within the next two years, we do not foresee much slackening of construction activities in the public sector. This year, an estimated \$6.7 billion worth of construction projects will be awarded. Together with the \$6.9 billion awarded last year, there will be continued momentum of construction activity over the medium term. In fact, due to the high value of contracts awarded last year, we expect the value of progress payments to come close to \$6 billion, surpassing last year's estimated value by 20 per cent.

Major Public Sector Projects

The public sector is expected to award close to \$4.3 billion worth of contracts this year. The major projects would include the redevelopment of Toa Payoh Hospital, the new IRD Building, reclamation works in Buran Darat and other institutional projects. The HDB will also be calling building contracts estimated at 1.5 billion.

For the longer term, major infrastructural projects under consideration include the underground road tunnels network, a third passenger terminal for Changi, extension of MRT links to Woodlands, and HDB refurbishment programme. All these projects should generate spending by the government to the tune of \$1 billion a year on top of the estimated average of \$3 to \$4 billion a year.

Private Sector Projects

The private sector is likely to be more cautious. Private sector contracts may drop to \$2.4 billion this year from about \$3.4 billion last year. Some of the major contracts to be called in the private sector in 1991 include the superstructure for Suntec City, Republic Plaza, Clarke Quay Restoration and the commercial development at Paterson Road.

Our contractors have also been busy overseas. Last year, Singapore contractors should secure about \$1 billion of overseas jobs compared to \$806 million in 1989. The prospects look promising in the next five years. Projects with some US\$70 billion are in the offing within the ASEAN region. Many of our businessmen, contractors and suppliers have already established business interests in these countries and will benefit from the regional boom.

Constraints to Growth

The major constraints to growth in the construction

industry continue to be the availability of local building materials and manpower resources. In the medium and long term, suppliers and investors are needed to source and supply basic building materials from overseas to supplement local production.

The construction industry will face a shortage of workers this year due to the increase in construction activity. The conventional solution would be to bring in more foreign workers. But it is getting more difficult this time round. We have been relying heavily on workers from Malaysia and Thailand which now experience high levels of construction activity. Singapore contractors may have to pay more to attract these workers.

Long term solution

Getting more foreign workers cannot be the total solution. The longer term solution must be to use less of them - through improving the skills of these workers and our construction methods and management. In other words, we need to continually raise our labour productivity. This should be one of the main thrusts of the industry in the nineties.

Skills improvement

The first is skills improvement. The two-tier foreign workers levy takes effect from this month. Skilled foreign workers are subject to levy of \$250, \$100 less than that for an unskilled foreign worker. This is intended to steer the industry towards using more skilled workers instead of unskilled ones. The industry is already responding since the announcement was made six months ago. In 1990, part-time training has increased by 25 per cent compared to 1989. In the last three months of 1990, trade tests applications have increased by 60 per cent, from 350 a month to 550 a month.

Mechanisation and management

Secondly, to raise productivity, incentive schemes are

in store to encourage contractors to better mechanise and manage their operations. These include part-financing the interest on loans for the purchase of construction machinery and equipment, and also dollar-for-dollar grants to enable contractors to engage external consultants to advise them on improving their operations.

Contractors can play a major role in reducing labour dependency. They should review their practice of using cheap labour in site work. For example, much of the steel reinforcement fixing on site can be replaced with pre-assembled steel cages. In the factory, less labour will be required because of better mechanisation and planning.

Design

In addition to skills improvement and mechanisation, another area is design. The decisions made at the designs stage have great impact on construction. Efficient designs enable productive construction methods to be used. Inefficient designs have the reverse effect.

For example, pre-fabricated elements for structural and finishing works are now increasingly proposed by contractors as alternative solutions. Greater productivity will be achieved if designers consciously specify these methods when doing their designs.

CIDB will be promoting 'buildable' designs to the industry from this year. This will consist of a systematic appraisal of the productivity impact of various designs. A sample of projects will be examined for specific areas where the potential for productivity gains are maximum.

The findings will result in a kind of 'Buildable Score' for a design. A low buildable score means the design is inefficient and needs much labour to construct. A high buildable

score means an efficient design that saves considerable labour.

Conclusion

To summarise, I am confident that the construction industry would remain vigorous in the short term. Contracts awarded will drop marginally because of the anticipated recession but the level of activity will be sustained. For the longer term, the construction industry can look forward to many planned developments over the next few years. It may also wish to "factor in" the impact of the growth triangle, the formation of APEC, and developments in the region (including Hongkong).

The industry must rise to the challenges of limited resources and be prepared to raise productivity levels. If there are areas where CIDB can help, I am sure it would be happy to do so.

It is my pleasure now to declare the seminar open and to wish all participants every success in the year ahead.

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