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REACTION-CONSTRUCTION

CONTRACTORS AND DEVELOPERS DELIGHTED WITH CONTINUED PUMP-PRIMING

By: Magesvaran

KUALA LUMPUR, Sept 21 (Bernama) -- Construction and development related companies are delighted with the government's continued pump priming measures, aimed at domestically induced growth, proposed in the 2003 Budget which was tabled in Dewan Rakyat yesterday.

Siah Brothers Corporation Bhd's director Sia Teong Heng says the Budget is "yet another winner for the construction and development players" and "we are very pleased by the whole thing (proposals in the Budget)".

Siah Brothers, is a turnkey contractor, and the government's move to build more houses for the poor and middle income earners would help the company's business, he added.

"We are actively talking to most of the state governments on housing projects, in particular, and the beefing up as proposed in the Budget would offer us more opportunities," he said.

The Budget has proposed a development expenditure of RM36.96 billion. Among others, 43 primary and 51 secondary schools will be constructed, RM963 million allocated for rural infrastructure projects, RM7.55 billion to improve health facilities and almost one billion ringgit for various public low-cost housing projects.

Expressing similar upbeat sentiment, Jason Loh, managing director of Loh & Loh Corporation Bhd, said the Budget is good for his company and the industry in general.

He said the company was actively bidding for projects and the proposed additional pump priming will offer them more scope to secure projects.

"What the government is doing is to cushion the expected slowdown in the world economy, which will reduce our exports and lessen FDI (foreign direct investment), by increasing spending on infrastructure and thereby supporting the domestic market."

He added people like Loh & Loh, who are in the construction business, certainly stand to benefit from the increased allocation.

The owner of a large bumiputera construction company, who wanted to remain anonymous, felt that the government was finally drawing the line between competent bumiputera contractors and the "Ali Babas".

The "shadow bumiputera" contractors have somewhat misled the government, by providing a false picture of their actual capability and capacity to handle projects on their own.

He is therefore pleased that his company, which is run by competent and seasoned bumiputera engineers, will have a bigger slice of the proposed contracts.

The Budget proposed that bumiputera contractors who sell contracts and are not actively managing the contracts to be blacklisted, and the "hands on" bumiputera contractors be given opportunities to secure larger contracts.

Touching on a related issue of project financing, which is a critical element for contractors, Sia said that his company, Siah Brothers, is in the midst of issuing an Islamic Private Debt Securities (PDS), and the proposed PDS measure in the Budget was encouraging and a boost for retail interest.

It was proposed that interest earned from debentures be exempted from income tax and expenditure incurred on issuance of Islamic PDS be allowed deduction for income tax purposes for five years commencing year of assessment 2003.

Sia also said there had not been much funding from banks for construction and development projects lately and that Prime Minister Datuk Seri Dr Mahathir Mohamad's cautionary statement was welcomed.

Dr Mahathir, who is also Finance Minister, said "the reluctance of financial institutions to fulfil their major responsibility as a lender, may require the government to find alternatives to ensure adequate financing for investors."

"The government may be compelled to increase the statutory reserve ratio," he added in his Budget speech. -- BERNAMA

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