

Profit margin to be slashed for S'gor gov't projects
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The Selangor government is moving to slash contractors' profit margin for state infrastructure projects from the conventional 30 percent to only 7 percent, to remove the rentier class.

Announcing this at the Budget 2012 dialogue session this morning, Menteri Besar Abdul Khalid Ibrahim said that he is in talks with the Public Works Department (PWD) about this and hopes to be able to turn this into policy.

"I have met (the PWD) but our discussion needs to be translated into a circular (for the civil servants). There will be some problems which we will need to solve," he told reporters.

He said the 30 percent profit margin may have been reasonable to cover the risk of slow payments from the government 20 years ago, but that this has been reduced as the state has increased efficiency on this front.

It is understood that this move is mooted for all projects, covering Class A to Class F.

In his opening speech, Khalid noted that a large profit margin would allow contractors to sub-contract work and still "get 15 percent of profit in their pockets for doing nothing".

Pakatan Rakyat wants to eliminate the rentier class...which is problematic socially and politically as the practice has turned into 'corporate expertise' for political parties like the MCA.

"The MCA's assets are RM2 billion to 3 billion, (even though it is) just ... a political party," he said.

Khalid said the culture of high profits is so ingrained in contractors that many jumped sides from Pakatan to the BN, when the state government changed hands in 2008.

"This is why the culture is being absorbed into these innocent parties (DAP, PAS and PKR). I pray and hope it does not infect my own party or DAP and PAS," he said.

Wide income gap

On a separate issue, Khalid said Selangor's economy is very rigorous.

As proof, he said there are 50 proposals for real estate developments in places like Subang and Petaling Jaya worth between RM1 billion to 2 billion each, waiting for approval.

However, he said, the government still has much to do to bridge the wide income gap.

"On Saturday I went to the opening of (one of these developments) where restaurant owners who will take up lots there told me that they are selling udon noodles at RM50 a bowl," he related.

"Fifteen minutes later I was in Taman Medan where the whole field (used) for (the) 'Family Day' (celebration) was as big as the tent (put up) at the (development opening). The cost of a bowl of udon could feed a whole family for a day (in Taman Medan)."

The Selangor budget dialogue takes place in June and July each year, to enable stakeholders the opportunity to discuss their needs. The budget is tabled in the legislative assembly in November each year.

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