

**SPEECH BY
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI
AT THE MASTER BUILDERS 45TH ANNIVERSARY DINNER
AT MANDARIN ORIENTAL, KLCC
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This is indeed a pleasant evening and I am honoured to be amongst you, the community which has helped developed Malaysia, at least physically. Like you, I sense a new beginning in the country's economy and thus far, all our efforts towards curing this economic ailment have borne fruit. I'm confident we will not have to wait for too long to enjoy a growing economy again.

2. First of all, allow me to congratulate master builders association for its 45th anniversary dinner of masters builders association. Again, I am honoured to be invited here today and be a part of your celebrations.

3. It is heartening to note that the association had chose "construction excellence through education and training" as its anniversary theme this year. Perhaps, it is then proper for all association members to work towards achieving the objectives behind this theme. It is also heartening to know that the association is working hard to promote and improve the crisis affected construction industry by establishing MBAM Training Services Sdn. Bhd. Which will go a long way towards enhancing the construction industry. I hope it will be a catalyst in providing such training and education to those related in the industry so that builders exercise responsibility in their ventures.

Ladies and gentlemen,

4. I would like to congratulate MBAM for setting up the education fund and not rely solely on the government to promote training in the construction industry. I believe the fund, which also provides study loans and scholarships to needy and qualified students to pursue a career in the construction industry, will help the country realise its vision of having its own home-grown and qualified people, thus reducing the need to hire foreign experts in implementing projects.

5. The establishment of the MBAM education fund is in line with the sixth objective of the national economic recovery plan formulated by the national economic action council and it will augur well for the betterment of those in the industry.

6. The NERP, among others, recommends that priority be given to local workers and services. It also recommends that all projects in the country - whether implemented by the public or private sector - should utilise as much as possible, local consultancy services in order to reduce the outflow of funds from the country.

7. The government has always emphasised the importance of using local expertise in all ventures. The public works department, have all this while hired local consultants and we urge the private sector to do likewise. If this move is adopted, not only will the problem of outflow of funds be arrested, it will also contribute to the advancement of skills in the construction sector.

Ladies and gentlemen,

8. The construction sector was one of the hardest hit sectors during the economic slowdown. It showed glaring weaknesses and problems in the sector. There was oversupply of commercial space, a lack of financing facilities and rising costs of imported construction materials due to the weakened ringgit then. Property developers and contractors discovered that they were unable to meet loan obligations due to increased interest rates. This resulted in higher costs of borrowing and at the same time, scared off potential property buyers.

9. From an impressive average of 8 per cent growth, the economy contracted sharply in 1998, causing pain we never felt before. Many were caught by surprise during the crisis which was triggered by the speculative attack on the Thai baht. At the initial stage of the regional economic downturn, Malaysia adopted a set of "virtual-imf" measures which saw among others, a curb on credit growth, increase in interest rates and a cut in government expenditure. The implementation of selected infra- structural projects was deferred. This slowly contributed to the downturn of the construction sector.

10. The combination of tight monetary policy, fiscal restraint and the financial sector restructuring measures introduced during the initial stage of the crisis had also worsened the economic situation. The government worked quickly and to prevent further contraction in the economy, it had reversed these "virtual-IMF" policies. The government took measures to ease monetary policy and simultaneously, introduced a stimulus package to reactivate economic growth and ensuring continuation of socio- economic projects so that living standards, especially that of the poor, are not adversely affected.

11. The government continues to invest in civil works and infrastructure development, with special focus for social projects such as building low-cost houses for the rakyat. This is aimed not only at supporting the construction sector, but also to create multiplier economic effects.

12. For example, the government via the Ministry Of Housing and local government will continue to implement all projects proposed under the 7th Malaysian plan. In this instance, the ministry will implement 98 projects, of which 6 have been completed and 64 projects are expected to be completed in 1999. The ministry is now working towards implementing the remaining 28 projects for 2000.

13. The measures taken by the government have shown positive results. The real gross domestic product contracted by 1.3 per cent for the first quarter of this year, as compared to 10.3 per cent in the fourth quarter of 1998. Malaysia is also projecting a 1% growth this year. Many private sector analysts are more bullish than the government, with GDP forecast as high as 3.9 per cent. Their confidence stemmed from the serious efforts of the government whose intentions are mainly to see to the needs and living standards of the people.

14. I would like to sincerely state here that we are working very hard to ensure that the fiscal stimulus adopted will place the country on a firm recovery path. Steps to ensure speedier disbursements of funds allocated for development expenditure and to achieve zero shortfall are now being taken. We are amending procedures for implementation of projects, and government agencies have been asked to submit fortnightly progress report to the government to ensure that projects are implemented on schedule.

Ladies and gentlemen,

15. The government is also looking at the private sector's suggestions to expedite project implementation. They include shortening the tendering process and alleviating problems concerning cash flow of contractors through easing of bonding facilities such as the requirement for performance bond.

16. I am sure all of us are aware that the nerp has also recommended various measures to improve the cash flow position of contractors. Among others, it has recommended that the processing of variation order and final account on the part of the government be expedited to allow payment to be made to contractors.

17. The government is working hard towards implementing these recommendations. The public works department has come out with several proposals for the government to ensure that the cashflow of contractors are not affected. Among others, contractors now are allowed an interim payment of up to 90 percent of the value of materials sent to worksites for civil works, from 75 per cent previously.

Ladies and gentlemen,

18. There are several signs which show that our economy is recovering. However, this is not the time to rest on our laurels. We should work hard and not be complacent. Measures taken to improve our economy, work rate and lifestyles during the bad times must continue. For example, the industry should give priority to using local materials and equipment such as cements, aluminium, steel and ceramics to cut cost of imports.

19. We need to continue with our efforts to improve productivity by enhancing efficiency in the usage of labour and capital. Let us not be driven by greed which could blind our judgement. Everyone, including those in the construction industry, has learnt a useful lesson from the economic slowdown and it is our responsibility to ensure that we are not caught off guard again. We will survive this crisis as we believe in working together and this unity will help propel us to the next millennium as a prosperous and peaceful country.

Thank you