

Honouring master builders who shape Malaysia

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MATTHEW TEE

MALAYSIA'S construction sector has never been more active than under this current 11th Malaysia Plan (2016-2020).

At least four multi-billion projects — the RM40 billion high-speed rail linking Kuala Lumpur and Singapore, the RM27 billion Pan Borneo Highway in East Malaysia, the RM28 billion Mass Rapid Transit Line 2 project in the Klang Valley and the East Coast Rail Line — are about to be constructed.

The outcome will be a modern-built environment with super connectivity that will spur economic growth, raise the living standard of the people and help the country achieve its Vision 2020 objective.

To celebrate this Merdeka, it is an appropriate time to honour these master builders or contractors who worked behind the scene of over half a century. The hard work of these contractors is evident in the changing skyline — be it landmark and iconic buildings, mega shopping malls, super condos and prestigious residences, highways, townships and many more, those less obvious being sewerage plants and power plants.

The construction industry has outperformed other sectors with a consistent double-digit growth annually in the past decade. It is one of the main pillars of the country's economy that any government would rely on to spur economic growth because the spillovers in the supply chain impact over 140 subsectors.

We owed much to the many construction "giants" who have contributed immensely, left legacies and raised benchmarks for the next generation of contractors to equal, if not, better.

Having said this, the industry is not without its difficult times, even for established construction firms in the past 60 years since independence. It is a very "cut-throat" and competitive sector.

Contractors have to continue to secure new projects even with low profit margin just to stay afloat while being weighed down by fixed costs such as administrative cost and

wages.

According to a survey done by Master Builders Association Malaysia (MBAM), the average gross profit margin of construction companies listed on Bursa Malaysia is no higher than 7%. This slim margin, I have to repeat, is gross margin, not net.

With so low a margin, any slip-up in the execution of projects can either make or break a company. It is because of this that not many construction companies have survived.

Let's take a closer look at these "hardy" family-run master builders with the iconic landmarks behind their names.

First Generation in the 1960s

The "first generation" of contractors who made their mark are the late Tan Sri Low Yow Chuan (Federal Hotel building), who was the founder of MBAM, Tan Sri Yeoh Tiong Lay (Citibank, and Hong Kong and Shanghai Bank), the late Song Pang Seng (Menara Pinang), the late Sia Kee Mow of Sia Brothers, SBC Corp Bhd (Johor Airport Terminal and Wisma Lim Foo Yong); Mun Long Group Bhd (Hankyu Jaya) and Low Chee of Ho Hup Construction Co (Petronas Twin Towers and National Sports Complex).

Their notable names are etched in the history of this emerging period of the construction industry.

It was a time when local contractors had much to learn and catch up with in the area of professionalism and technical know-how handling difficult projects such as high-rise buildings. To fill the expertise gap, they sought partnerships from British and Japanese construction companies.

Second Generation: Golden Period in the 1980s

The industry boomed in the '80s to '90s — described as the "golden period" — and the positive prospects attracted many new players. They were the "second generation" contractors who are better managed.

While the first generation contractors were mere entrepreneurs and family-run, the second-generation contractors employed many professionals to manage their companies, bringing these companies to greater heights as can be seen in the case of IJM Corp Bhd, Gamuda Bhd

and Mudajaya Group Bhd, just to name three of them.

Several of these second-generation contractors have retired in the last five years or more. They included Ng Yin Long and Anto SF Joseph (Mudajaya), Datuk Goh Chye Koon and Datuk Tan Gim Foo (IJM), Ng Kit Heng (Gabungan AQRS Bhd), Datuk Kwan Foh Kwai and Datuk Tan Kia Loke (Sunway), and Datuk Ng Kee Leen (Gamuda) while Tan Sri Krishnan Tan (IJM) and Datuk Lai Foot Kong (Ireka Corp Bhd) have taken on lesser executive role in day-to-day operations. Hopefully their diminished role or retirement would not have left too big a vacuum for the industry to fill.

During that period, securing project contracts of RM100 million and above was a "big deal" unlike nowadays when such big quantum is considered a norm. Those who came in the year 2000 and later are whom I would deem as third-generation contractors.

Third Generation in the Millennium

The third-generation contractors are the "big boys" undertaking mega projects of up to and above RM500 million in gross development value. Their project job scopes come with multi-

ple complexities, tight delivery period, stringent measures, and standards and compliance that are difficult to attain, while being bogged down with highly competitive (read: low) profit margin in the single digit.

After a few business cycles, once-reputable companies had fallen such as Nam Fatt Corp Bhd, Bina Goodyear Bhd, Pilecon Engineering Bhd, Peremba Construction Bhd, I&M Corp (M) Bhd, Jasatera Bhd, LCL Bhd and SCK (Shanghai Chong Kee).

Those that survived have had to diversify into property development and other businesses. Classic examples are Syarikat Pembinaan YTL Sdn Bhd and SBC Corp Bhd.

Data from the Construction Industry Development Board showed there is a total of registered 75,757 contractors, of whom 5,529 are class G7 contractors (which can tender for unlimited

project value) that work out to be less than seven out of every 100 contractors.

Within G7 are only seven five-star contractors namely Gamuda, Gamuda Engineering Sdn Bhd, Sunway Construction Sdn Bhd, Sunway Engineering Sdn Bhd, IJM Construction Bhd, Shin Eversendai Engineering Sdn Bhd and Technofit Sdn Bhd.

Of the total, only 46 construction companies are listed on Bursa Malaysia, of which 15 are 30 years old and a handful nine are above 40 years. The nine are Ho Hup Bhd, Ireka, Mudajaya Corp Bhd, Muhibbah Engineering Bhd, Sunway Construction, Fajar Baru Builder Group Bhd, Gamuda, Zelan Bhd and Bina Puri Holdings Bhd. The statistics show that "longevity" is not the norm when it comes to the construction industry.

Incidentally, the first construction company to be listed was Pilecon Engineering Bhd in 1983 under Datuk Hong Lee Pee. YTL was a backdoor listing through acquisition of Hong King Tin later along with IJM at about the same time.

First-generation contractors such as Low Keng Huat, Low Yow Chuan and Lim Kang Gang (Equatorial Hotel) started in construction before diversifying into property, hotel and other businesses.

Going Global

We have seen how Malaysian family-run contractors have grown and the vital role they play in building up the nation. Now is the right time for the federal government to raise a class of G8 "champion" contractors who are the "cream of the crop" contractors to go global and take on overseas jobs.

Transforming the industry to bring it to the next level can be achieved by internationalising construction processes and standards, granting privileged access to financing and supporting formation of consortia with overseas market intelligence.

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