

Headline	Steel price hike leaves contractors at a loss		
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Steel price hike leaves contractors at a loss

Johor builders association warns that residential property prices could go up as a result

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THE 48% increase in steel prices has put additional pressure on many contractors who are still reeling from revenue losses due to the Covid-19 pandemic and movement control order.

Johor Master Builders Association president Tee See Kim said the price increase had a big impact on the construction sector and caused much hardship to contractors.

He said steel price had increased from RM2,100 per tonne to RM3,100 in the third quarter of last year.

"We are on the losing end as the value of the contract tendered is already fixed and they have no choice but to complete the project," Tee said when contacted.

He said the pricing for tenders

was very competitive as there were many bidders but fewer jobs due to Covid-19 and various movement restrictions.

"Bidding for a tender is normally done taking into account the current prices of building materials including steel, which is the main component in the construction industry," he said.

Tee said it was a risk that contractors had to take as no one could forecast whether the prices of building materials would increase or otherwise during the duration of the project.

He said the hike in the price of steel, if not controlled by the government, would not only impact contractors but also the developers.

Tee said in the case of residential properties, the increases would ultimately be passed on to the pub-

lic through higher property prices.

"Most of our 250 members are depending on projects from the private sector, particularly from developers, although some are also doing public projects," he said.

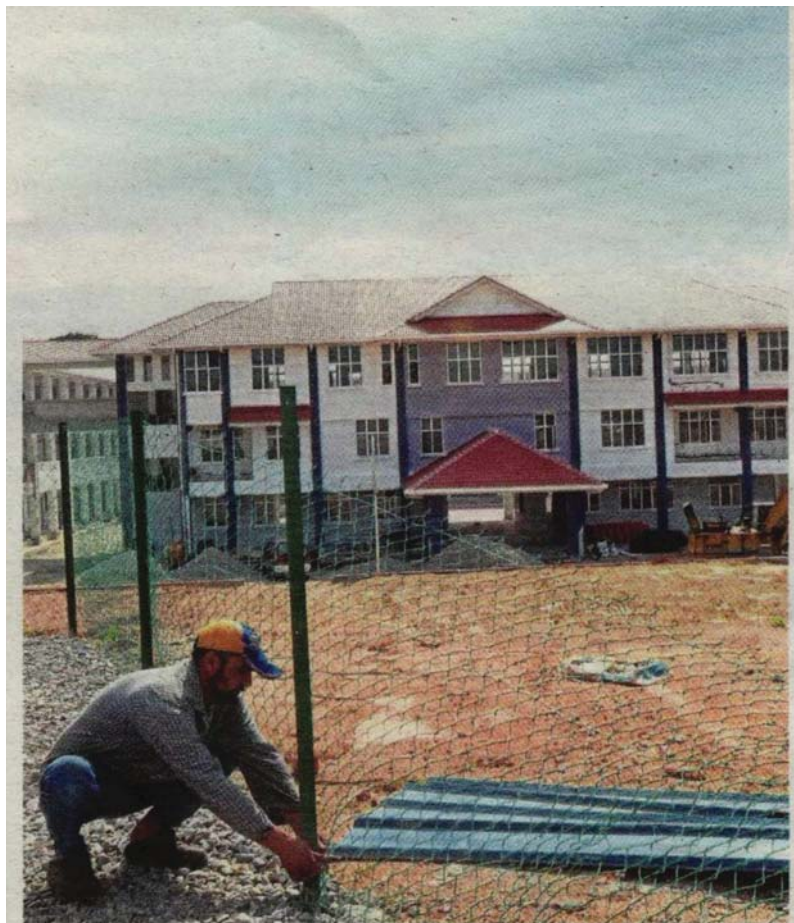
Tee said, unlike private projects, public projects would include price variations where the government would pay the difference if the cost of the project escalated.

He said the escalation could be due to an increase in the base prices of building materials after the tender was awarded.

"The government will deduct the cost if the price of materials come down; it is a win-win situation for both parties," he added.

He hoped the private sector could come out with similar arrangement as it would be good for the construction industry.

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Tee says public projects, such as building a school, include price variations where the government will pay the difference if the cost of the project escalates. — Filepic