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Johor

Construction firms urge Govt to look into hike in building material prices >7

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CONSTRUCTION companies are appealing to the Federal Government to immediately address the hike in prices of building materials, especially steel.

Johor Master Builders Association (JMBA) president Tee See Kim said the price of steel had increased from RM3,100 per tonne in the third quarter of last year to RM3,500 to date.

The prices of PVC pipes and aluminium alloy, he said, also went up between 30% and 40%, depending on the size, while the cost of cement remained stable.

"The increase in prices of building materials, especially steel, has put additional pressure on us due to the unfavourable economic situation," Tee said when contacted.

He said many of them were still reeling from revenue losses due to the pandemic and first movement control order implemented on March 18 last year.

He noted that the situation did not look promising as the whole country was now under MCO 3.0.

"We are urging authorities to seriously look into the matter of rising prices," he said.

He stressed that the hike in building material prices, if not controlled by the Federal Government, would have repercussions on the construction and building industry.

He said it would be 10% to 20% more costly to construct industrial buildings.

He highlighted that delay in constructing industrial buildings could lead to other effects such as potential investors postponing their plan to invest in Johor and causing loss of job opportunities for the locals.

"In the case of residential properties, the effects of the increase will ultimately be passed on to buyers through higher property prices," said Tee.

He said one reason that led to the hike in steel prices was demand for material in the United States as the country had pumped in money for the construction and building industry over there.

"Contractors are on the losing end as the value of contract tendered is already fixed and we have no choice but to complete the project."

He said the pricing for tenders was very competitive as there were

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Construction industry calls for Federal Government's intervention as many are suffering losses due to pandemic and MCO



Steel prices have increased since last year, putting additional pressure on the building industry. — Filepic

many bidders but fewer jobs due to Covid-19.

He explained that when bidding for project tenders, most contractors would take into account the current prices of materials, including steel, which was the main component used.

"It is a risk that contractors have to take as no one can forecast the prices of building materials for the duration of the projects," he added.

Tee said most of JMBA's 250 members were depending on projects from the private sector, particularly from developers, although some were also doing government projects.

Unlike private projects, he said 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 comes down; it is a win-win situation for both parties," he pointed out.

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

Tee said another issue bogging

down contractors was shortage of skilled workers as many Indonesians working in the construction industry had returned to their country for good.

"The average daily salary for a skilled worker is between RM80 and RM100.

"We have to make do with the existing workers as no foreigners are allowed to enter the country during the pandemic," he said.