

**SPEECH BY MR MAH BOW TAN, MINISTER FOR NATIONAL DEVELOPMENT, AT BCA-REDAS CONSTRUCTION & PROPERTY PROSPECTS 2009 SEMINAR, 14 JANUARY 2009, 9:20 AM AT ORCHARD HOTEL**

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Mr Quek See Tiat, Chairman BCA,  
Dr John Keung, CEO BCA,  
Mr Lim Ee Seng, Second Vice-President REDAS,  
Distinguished guests,  
Ladies and gentlemen,  
Good morning.

1 2008 was a good year for the building and construction sector. The sector enjoyed exceptionally strong growth, despite the onset of an economic slowdown in the latter half of the year. The total value of contracts awarded in 2008 was \$34.6 billion, which is a record high.

2 This stronger than expected construction demand was driven mainly by robust private sector demand in the 1st half of 2008, as well as the award of several major public sector infrastructure projects, such as the Marina Coastal Expressway and the MRT Downtown Line 1, in the last quarter of 2008.

**Construction Demand Forecasts for 2009 - 2011**

3 In contrast, 2009 will be a challenging year. For the first time in more than half a century, the US, Japan and many other major economies throughout the world are concurrently in recession. Singapore is no exception. The construction sector will not be left unscathed by this global economic downturn. BCA's projection shows that construction demand has started to moderate. For 2009, the value of construction contracts awarded will likely reach between \$22 and \$28 billion, and for 2010 and 2011, between \$20 and \$27 billion.

4 The silver lining is that public sector demand for construction services will remain strong in the next few years. Large public infrastructure projects scheduled to be rolled out include the extension of MRT lines such as the Downtown Line, the North-South Line, Jurong East Connection, and major road works. The other major public sector projects will include new HDB flats to meet the ongoing demand for public housing, the redevelopment of the Pathology Education Research Building of SGH, the National Heart Centre, and the new International Cruise Terminal.

**Assistance Measures for the Industry**

5 The Government is in consultation with the industry to understand the challenges it will face, and will work closely together to help it ride out the current economic crisis. Based on industry feedback, the larger construction firms will be occupied with ongoing contracts awarded over the last two years and the pipeline

of large government infrastructural works. On the other hand, as private sector construction demand softens, the small and medium sized firms will begin to feel the impact.

6 We will therefore focus our attention on two areas of immediate concern, namely, the decreased construction demand and the liquidity squeeze.

7 Advancement of Public Sector Projects. While the larger contractors still have jobs on hand for the next 12 months, small and medium sized firms have started to feel the drying up of projects. The number of tenderers for projects of up to \$30mil has doubled, as compared to 6 months ago. To sustain the flow of jobs to small and medium construction firms, the Government will bring back some of the smaller public sector projects, of up to \$50 million in value, that were earlier deferred to ease the pressure on construction resources. We will also bring forward other suitable new projects in the pipeline, in addition to the projects that were originally planned for 2009. The details are being finalised and will be announced during the 2009 Budget Statement.

8 Measures to Facilitate Credit Access and Cashflow. Given the financial turmoil, financial institutions have become more prudent in lending, and are looking at reducing loan amounts or increasing collaterals. To ease the credit squeeze that companies are facing, the Government has put in place several credit assistance measures to help businesses access credit financing. These measures are available to the construction sector.

9 SPRING has enhanced its business credit assistance schemes to facilitate firms' access to credit during this exceptional period. These include extending the qualifying criteria to allow more construction firms to tap on such assistance, and lowering the interest rates for bridging loans to reduce the cost of credit to firms. This will allow our contractors to tap on these schemes for working capital and asset enhancement needs. The government has also increased its share of the insurance premium under the Loan Insurance Scheme (LIS) from 50% to 90%, thus reducing the cost of premium for the private sector to only 0.15% of the loan quantum. Firms should make full use of these schemes, fine tune their capabilities and re-position their strategies so as to grow stronger following the crisis.

10 Besides credit assistance, we are also mindful of the critical need for construction firms to have healthy cashflows during this period. In this regard, MND / BCA has worked with MOF to put in place some measures since Dec 08, aimed at helping construction firms improve their cashflow management. Public sector agencies will be making more frequent, prompt and full progress payments to firms for completed and certified construction work done. They will also be lowering the quanta of security deposits required for public sector construction projects from 5% to between 0% and 2.5%, wherever possible.

11 BCA has encouraged private developers to do likewise. By doing so, developers will provide the extra boost to enable contractors to fulfil their contractual commitments and deliver their projects promptly.

### **Building a More Sustainable and Resilient Industry**

12 Despite the projected dip in construction demand from 2009 to 2011, the level of demand is still considerably higher than the average annual demand of \$13 billion from 1998 to 2006. Construction activities in the short to medium term will remain high, given the volume of contracts awarded in the last two years, and a strong demand base going forward. With a healthy level of sustained workload, the industry will require a strong core of locals at all levels to anchor the workforce, lead and drive the industry. It is therefore imperative for the industry to continue to attract new entrants to join the sector, retain its personnel, and upgrade their skills and knowledge base.

13 New Growth Areas and Job Opportunities. At the Professional, Managerial, Executive and Technical, or PMET levels, this is an opportune time for job seekers to seriously consider career options in the built environment, where there are good long-term prospects and growing niche areas as the sector gears up to meet the demands for environmental sustainability and climate change adaptability. For example, with the demand for green buildings growing steadily, not just locally but also in many overseas markets, Green Building Technologies will be a new growth area for the local industry.

14 BCA is formulating a 2nd Green Building Masterplan to intensify the greening of our built environment, focusing on the large stock of existing buildings. BCA will work closely with the industry to build up the knowledge and expertise needed to support this plan, especially in growing the pool of competent green building specialists in the design, construction and maintenance of green buildings.

15 Training and Upgrading Opportunities. BCA is working closely with WDA and the industry to introduce training incentives and programmes to attract new local entrants and equip them with the necessary skills and knowledge to join the industry. Concerted efforts are also being made to retain and upgrade personnel across all levels. In this regard, the BCA Academy has introduced a good array of upgrading courses, from tradesman to specialist diploma courses, to allow for career advancement. For example, by obtaining a National Building Qualification (NBQ) certification, a tradesman can qualify as a foreman and through more advanced courses, be promoted to be a junior supervisor. Firms should tap on the financial support provided through WDA's Skills Programme for Upgrading and Resilience (SPUR) and send their workers for skills upgrading. This will not only help to retain good workers during this downturn, but also to re-skill and ready them to take on more challenging tasks, and hence command better pay, going forward.

16 BCA is also working closely with the industry and relevant agencies to promote the career and training opportunities available in the industry. The inaugural Built Environment Scholarship, Training and Job Fair to be held this coming Saturday is one such collaborative effort.

### **Conclusion**

17 The construction sector remains a vital pillar of our economy. It is therefore important that this sector continues to anchor itself on firm foundations, through continual manpower development and technological advancement. We can each play our part in building up a resilient and strong construction industry.

18 While we cannot prevent the up and down cycles of the business sector, the government has and will continue to put in place measures to mitigate the impact of the down cycle. The quick turn of events in the global markets over the last six months holds many valuable lessons for all of us. We need to remain vigilant, be quick to adapt and be forward looking.

Thank you.