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**CONTRACTOR'S TIME PERFORMANCE IN  
AFFORDABLE HOUSING PROGRAM**

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**UNIVERSITI TEKNOLOGI MALAYSIA**

CONTRACTOR'S TIME PERFORMANCE IN  
AFFORDABLE HOUSING PROGRAM

NAZIRAH BINTI ISMAIL

A project report submitted in partial fulfillment  
of the requirement for the award of the degree of  
Master of Science (Construction Management)

Faculty of Civil Engineering  
Universiti Teknologi Malaysia

APRIL 2010

I declare that this project report entitled “*Contractor’s Time Performance in Affordable Housing Program*” is the result of my own research except as cited in the references.

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Name : NAZIRAH BINTI ISMAIL

Date : 30 APRIL 2010

Dedicated specially

To my beloved Father, Mother and Siblings

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## **ABSTRACT**

Contractor time performance is critical to the successful of any construction project. Delay or late deliveries is the issue that has been seriously discussed by the government as the main objectives of projects are lowest cost, good quality and shortest time. This research, therefore, investigate ways to improve the contractor performance so that the construction under Affordable Housing Program (PBR) will be completed within the budgeted cost, time and good quality. However it is necessary to deliver the house for hardcore poor is realised. The objectives of this research are to identify the best procurement method that can be used for Affordable Housing Program (PBR) projects and to identify as well as establish the causes of late delivery of projects. The investigation will also identify and establish method to improve the contractor's time performance in executing the project. Some of the Class F Contractor in Kelantan and RISDA Officer who were involved in monitoring Affordable Housing Program will interviewed to obtain their views, opinions, and suggestions towards appropriate implementation of Affordable Housing Program. They will be requested to respond to the sets of questionnaire and interviews forwarded to them. The results of the findings highlighted that the main causes of delay in project is insufficient project planning and management by the client, contractor as well as designer. Proper planning and commitment from the top management along with the management skill can improve the contractors' performance. For the conclusion, the problems identified and the proposed solutions from respondents will be listed to provide further enhancement in delivering the Housing Assistance Program.

## **ABSTRACT**

Prestasi masa merupakan faktor yang penting dalam menentukan kejayaan kontraktor di dalam sesebuah pembinaan. Kelewatan merupakan isu serius yang sering dibincangkan oleh kerajaan sepertimana yang diketahui umum objektif utama di dalam sesebuah pembinaan adalah harga yang rendah, kualiti yang tinggi dan masa yang ditetapkan. Kajian ini akan mengkaji cara-cara untuk meningkatkan prestasi kontraktor supaya pembinaan di bawah Program Bantuan Rumah (PBR) supaya kontraktor dapat menyiapkan projek ini di dalam kos, masa yang ditetapkan di samping kualiti yang diharapkan di samping mempercepatkan penyampaian Program Bantuan Rumah (PBR) ini kepada pengguna. Objektif kajian ini pula adalah untuk mengenalpasti kaedah perolehan yang boleh digunakan untuk projek di bawah Program Bantuan Rumah dan mengenalpasti sebab-sebab kelewatan projek ini. Kajian ini juga akan mengenalpasti kaedah untuk meningkatkan prestasi masa kontraktor di dalam penyampaian projek ini. Seramai 30 buah syarikat kontraktor kelas F dan beberapa orang Pegawai RISDA yang terlibat dalam pemantauan projek di bawah Program Bantuan Rumah dipanggil untuk perbincangan bagi mendapatkan pandangan dan cadangan mereka dalam pelaksanaan projek ini. Mereka dikehendaki untuk menjawab borang kaji selidik dan temuramah yang diadakan. Hasil daripada soal kaji selidik menyatakan sebab utama kelewatan di dalam projek Program Bantuan Rumah ini adalah disebabkan perancangan projek dan pengurusan yang tidak mantap daripada klien, kontraktor mahupun pereka dan melalui perancangan projek dan pengurusan yang berkesan dapat meningkatkan prestasi kontraktor dari segi masa. Masalah dikenalpasti dan cadangan penyelesaian daripada responden akan disenaraikan untuk meningkatkan penyampaian projek di bawah Program Bantuan Rumah di masa hadapan.

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## LIST OF ABBREVIATIONS

CIDB	-	Construction Industry Development Board
GTP	-	Government Transformation Program
INFRA	-	Institute for Rural Advancement
JHEO	-	Jabatan Hal Ehwal Orang Asli
KEDA	-	Lembaga Kemajuan Kelantan Selatan
KEJORA	-	Lembaga Kemajuan Johor Tenggara
KEMAS	-	Jabatan Kemajuan Masyarakat
KESEDAR	-	Lembaga Kemajuan Terengganu Selatan
KIR	-	Ketua Isi Rumah
KKLW	-	Kementerian Kemajuan Luar Bandar dan Wilayah
KPKT	-	Kementerian Perumahan dan Kerajaan Tempatan
MARA	-	Majlis Amanah Rakyat
PBR	-	Program Bantuan Rumah
Pg	-	Page
PKK	-	Pusat Khidmat Kontraktor
PLI	-	Poverty Level Index
PWD	-	Public Work Department
RISDA	-	Rubber Industry Smallholder Development Authority
SPKR	-	Skim Pembangunan dan Kesejahteraan Rakyat
UTM	-	Universiti Teknologi Malaysia

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## **CHAPTER 1**

### **INTRODUCTION**

#### **1.0 Introduction**

Affordable Housing Program (PBR) is one of the programs introduced by Government of Malaysia that provides financial and management assistance for the targeted group to live in comfort house compared to the dwelling. The Ministry of Rural and Regional Development suggested that this program is to upgrade the quality of life and to reduce social problem among the targeted group. According to the Malaysia Ninth Plan Period (2006 to 2010), priority will be given to the provision of adequate, affordable quality houses for Malaysian in various income levels with emphasis on low income group. Effort will continue to be undertaken to provide houses with basic amenities for the rural population. In this regard, the implementation of housing programs for the low-income and the hardcore poor in the rural area will be reviewed.

## **1.1 Background of Research**

Under the Government Transformation Program (GTP) 2009, mooted and introduced by Prime Minister, what the citizen wants and needs ("People First") will be focused through ensuring fast delivery of results ("Performance Now") to contribute to 1Malaysia and Vision 2020. - transforming Malaysia into a high income, fully developed nation. Apart from the program the Government targeted to build and repair 50,000 houses for poor and hardcore poor by end of 2012.

Based on the statistic of low income household from Government Transformation Program Report's (2009) currently there are 49,350 hardcore poor and 66,871 poor in Malaysia. Hardcore poor is set on average RM440 per household per month based on the Food PLI while poor is set on average RM750 per household per month based on the Food and Non Food PLI.

Raising the living standards of low income households through social development service is being a stressed by the Government in order to achieve an overall household income shift towards a more equitable distribution while obtaining the best return of investment while eradicating Hardcore poverty in-line with the existing targets and timeless. Based on the GTP report 2009, the Government has set a Key Performance Indicator to reduce incidence of poverty to 2.8% by 2010 and 2.0% by 2012 and targeted to eradicate hardcore poverty among 44,643 cases currently registered under e-kasih.

Poverty and rural area cannot be separated. Apart from that the Rural and Regional Development Ministry with the mission to generate a progressive rural community through strengthening human capital, infrastructure and competitive economy in a consistent environment in collaboration with all their agencies such as Rubber Industry Smallholder Development Authority (RISDA), Jabatan Hal Ehwal Orang Asli Malaysia (JHEOA), Lembaga Kemajuan Johor Tenggara (KEJORA),

Lembaga Kemajuan Terengganu Tengah (KESEDAR), Lembaga Kemajuan Wilayah Kedah (KEDA), Lembaga Kemajuan Kelantan Selatan (KESEDAR), Institute for Rural Advancement (INFRA), Majlis Amanah Rakyat (MARA), Jabatan Kemajuan Masyarakat (KEMAS) and Felcra Berhad to ensure the mission is accomplished.

For example, under the Affordable Housing Program, KEMAS will provide data of hardcore or poor under SPKR which obtained from e-Kasih. A detail study and investigation will be carried out to determine the suitable applicant qualification. After that, the ministry will then distribute the budget to related agencies to carry on the project from searching of site until the completion of the project. After the project is completed the agencies are required to return the completed building to the ministry for the further distribution.

## **1.2 Problem Statement**

Providing housing to the hardcore poor and poor people is essential. Many parties involved in housing development for hardcore poor and poor people. One of these parties is contractor. Contractor plays a main role in constructing a house for those hardcore poor and poor people and what the client need from contractor is to deliver the project on time, within the budget and expected quality.

One of the problems in housing development is basically due to contract procurement which is not very appropriate. There are many types of contract procurement in Malaysia. Contract types for the Affordable Housing Program fall into fixed-price where the building price is stated in Table 1.1. Under the fixed price contract the contractor are completely responsible for contract cost performance. According to Osborne (2002), a fixed cost is bid and reimbursed by the government.

If actual cost exceeds the amount bid, the contractor is likely lose money. Below are general characteristic of fixed cost contract.

- Highest risk to contractor
- Contract cost predetermined
- Normal profit range 12% - 15%
- Product or service well defined
- Least risk to government
- Normally requires least cost substantiation
- Require least amount of government contract administration

**Table 1.1** : New budget for Affordable Housing Program (PBR) endorsed in Mesyuarat Jemaah Menteri on 1<sup>st</sup> October 2008

No	State	New Build (RM)		Repair (Maximum) (RM)
		2 Room	3 Room	Current Loan Rate
		Current Maximum Loan Rate	Current Maximum Loan Rate	
1	Peninsular	29,300	33,000	11,000
2	Sabah, Sarawak & W.P. Labuan	33,600	40,000	12,000

Besides the weakness of contract procurement selection many of the project does not meet the time required. This is the main objectives of RISDA as RISDA has a target to deliver the houses for hardcore poor and poor people in a specific time. RISDA will monitor the progress of all projects and programs undertaken by the ministry to ensure money allocated for development was well spent and benefited the target group. A poor managed project can result in extra cost and time extension.

RISDA as an integrator to the Rural and Regional Development Ministry should take a first move to investigate the problem and barrier faced by the Contractor Class F so that the construction can be completed within the budgeted cost and time and with the expected quality. Therefore, this research will identify the causes of late project delivery so that the program will achieve the target on the time required.

### **1.3 Aim and Objective of research**

The aim of the research is to investigate ways to improve the contractor performance so that the construction under Affordable Housing Program (PBR) will be completed within the budgeted cost and time and with the expected quality.

To achieve the above aim the following objectives were identified:

1. To identify the best procurement method can be used for Affordable Housing Assistance Program (PBR) project.
2. To identify and establish the related causes that led to delay in delivering the Affordable Housing Programs (PBR) project.
3. To identify and establish method to improve contractor time performance in executing the project.

#### **1.4 Scope of the research**

The scope will focused on the Affordable Housing Assistance Program (PBR) which was carried out by Rubber Industry Smallholder Development Authority (RISDA) specifically limited in the area of Negeri Kelantan Darul Naim which covers project in districts of Pengkalan Chepa, Ketereh, Bachok, Tumpat and Machang. The sample of study will only focus on the Contractor Class F registered under Pusat Khidmat Kontraktor (PKK) which is awarded with Affordable Housing Program (PBR) by RISDA and the Secretariats of this program. Kelantan has been identified as one of the state that having a lot of problem in delivering the project on time.

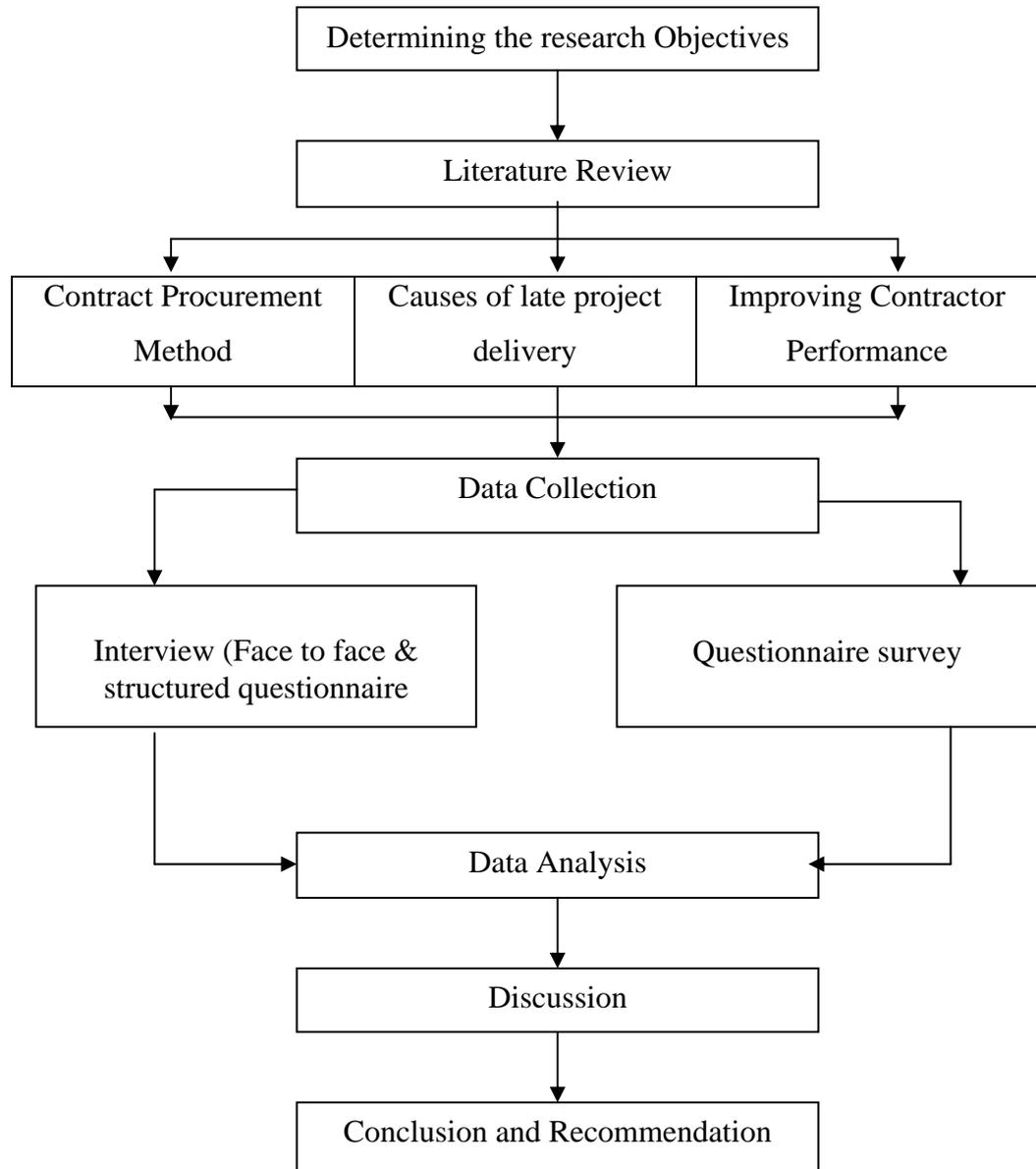
The problem faced by the contractor will be analysed and evaluated based on the education background, understanding of the technical aspect, past experience, commitment and attitude. This is to judge the seriousness of the contractor when they were awarded.

#### **1.5 Research Methodology**

The questionnaire survey has been conducted among the contractor and client within the category of the study to access the opinion on the practitioner in the construction industry towards the objective of the research. This is the best method for obtaining primary data. Moreover, respondents have more time to think about the question and try to give a relevant answer. The possibilities of having incomplete reply are lower or it gives high respond of rate. If there is no response from the respondents, follow up letters and telephone calls are the best solution requesting for their reply after the cut-off dateline.

Besides the questionnaire survey some interviews has been conducted with contractor and RISDA officer who are responsible to monitor all the Affordable Housing Program (PBR). The interview can be divided into face-to-face question and answers session and answering the structured questionnaire.

The overall sequence of research process can be summarized in Figure 1.1



**Figure 1.1 :** The flow chart of Research Methodology Sequence

## **1.6 Summary of Chapters**

Chapter One summarizes the general information about the research in brief. This chapter contains of the background of the research, problem statement, aims and objectives of research, scope of research and research methodology. This chapter is very crucial because it provides the overall information about the research besides the subsequent process is derived from the research problem.

Chapter Two summarizes the literature review to support the objectives of the research as well as provide detail information about the topic. Basically these chapters are organized into five parts which covers two parts for the definition of the poverty and housing assistance program and three parts of literature review for each objective.

Chapter Three summarizes the research methodology. There are six steps used in the research methodology and they are elaborated typically in this chapter.

Chapter Four summarizes the data analysis and data interpretation. The data are analyzed and interpreted from the result of questionnaire form obtained from the respondent and the information from the literature review.

Chapter Five summarizes the conclusion and recommendation for the objectives and aim. This research is a preliminary study Affordable Housing Program (PBR) in Malaysia. This research hoped to be a preliminary guideline for RISDA as an integrator to enhance the project management. In addition, it is important for researcher and for those who are interested in studying this Affordable Housing Program (PBR).