

**CONTRACTORS' PERCEPTION TOWARDS PUBLIC-PRIVATE
PARTNERSHIP IN CONSTRUCTION**

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**CONTRACTORS' PERCEPTION TOWARDS PUBLIC-PRIVATE
PARTNERSHIP IN CONSTRUCTION**

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

**Faculty of Civil Engineering
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JULY, 2011

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DEDICATION

Special thanks to my parents, Kiu Cheong Sing and Kong Ngin Chung, my brothers,
my love and friends for their help and understanding.

Thank you for all the sacrifices.

ACKNOWLEDMENT

I would like to thank all the people who have provided direction, support and encouragement for me to complete this study. This study would not been produced without guidance and support from them.

Firstly, I would like to thank my supervisor, Dr. Khairulzan Yahya, for the knowledge, patience and understanding that he has contributed throughout the whole duration of our study. He gave a lot of impressive ideas regarding my study especially the way I should present my writing for the study.

Secondly, I would like to express my appreciation to those parties involved who have lending their hand in helping me getting the related information during the process of study.

Lastly, I would like to thank my family members, relatives, and friends for their supports either physically or mentally. Thank you very much.

ABSTRACT

Public-private partnership (PPP) is a business venture concept between public and private sector. In Malaysia 9th Plan (RMke-9), the government of Malaysia had introduced the PPP concept in their development projects to stimulate the involvement of private sector in enhancing the economic and investment growth. However, numbers of housing PPP projects were reported not performed well as mentioned by the National Audit of Malaysia. Hence, the aim of this study was to investigate the perception of the contractors towards implementation of PPP in construction. The objectives were to identify the level of awareness of the Class A and Grade 7 contractors in Johor towards PPP, to determine the barrier and motivation factors in adopting PPP and to explore the contractors' views on PPP practices in construction, including barrier and motivation factors. This study was conducted by distributing 134 questionnaires by online survey forms, 50 questionnaires by postage and 30 questionnaires by hands. The data collected through questionnaires was analysed by frequency and average index analysis. The study showed that the respondents were in the moderate level of awareness and understanding towards PPP. This study also showed that the time required to develop partnering culture as well as the high costs and risks of project development were the highest ranked barrier factors in adopting PPP while the motivation factor of access skills, experience and technology was the highest ranked. On the other hand, the lowest ranked barrier factor was inability of users to afford services fees and the lowest ranked motivation factor was reduce the time required for the implementation of the project.

ABSTRAK

Kerjasama Awam Swasta (PPP) adalah satu konsep perniagaan antara sector awam dan swasta. Dalam Rancangan Malaysia Ke-9 (RMKe-9), kerajaan Malaysia telah memperkenalkan konsep PPP dalam projek-projek pembangunan mereka untuk merangsang penglibatan sector swasta demi meningkatkan pertumbuhan ekonomi dan pelaburan. Walau bagaimanapun, terdapat beberapa projek perumahan PPP telah dilaporkan tidak menunjukkan prestasi yang baik seperti yang disebut oleh Audit Negara Malaysia. Oleh itu, tujuan kajian ini adalah untuk menyiasat persepsi kontraktor terhadap pelaksanaan PPP dalam pembinaan. Objektif-objektif yang ditentukan adalah mengenal pasti tahap kesedaran Kelas A dan Gred 7 kontraktor di Johor terhadap PPP, menentukan faktor-faktor halangan dan motivasi dalam mengamalkan PPP dan meneroka pandangan kontraktor tentang amalan PPP dalam pembinaan, termasuk faktor-faktor halangan dan motivasi. Kajian ini dijalankan dengan mengedarkan 134 soal selidik dengan borang kaji selidik dalam talian, 50 diedarkan melalui pos dan 30 diedarkan dengan tangan. Data yang dikumpulkan melalui soal selidik dianalisis dengan kaedah analisis kekerapan dan analisis indeks purata. Kajian ini menunjukkan bahawa responden berada di tahap sederhana kesedaran dan pemahaman terhadap PPP. Kajian ini juga menunjukkan bahawa masa yang diperlukan untuk membangunkan budaya bekerjasama serta kos yang tinggi dan risiko projek pembangunan adalah faktor-faktor halangan yang berperingkat tertinggi dalam mengamalkan PPP manakala faktor motivasi kemahiran akses, pengalaman dan teknologi adalah berperingkat tertinggi. Sebaliknya, faktor penghalang yang berperingkat paling rendah adalah ketidakupayaan pengguna untuk menyokong yuran perkhidmatan dan faktor motivasi yang berperingkat terendah adalah mengurangkan masa yang diperlukan bagi pelaksanaan projek.

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LIST OF ABBREVIATION

ABBREVIATION	FULL NAME
PPP	Public-Private Partnership
PKK	Pusat Khidmat Kontraktor
CIDB	Construction Industry Development Board
SPSS	Statistical Package for Social Science
PSZ	Perpustakaan Sultanah Zanariah

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CHAPTER 1

INTRODUCTION

1.1 Introduction

A Public-Private Partnership (PPP) is a medium to long term relationship between public and private sectors which includes the voluntary and community sector. PPP involves the sharing of risks and rewards as well as the utilisation of multi-sectoral skills, expertise and finance in order to deliver desired policy outcomes which are in the public interest (Geddes, 2005).

There is none of a legal meaning of the term PPP. The term can be used to describe a wide different of arrangements which involve the public and private sectors who are working together in some way (The World Bank, 2009).

A PPP program is generally being recognised to offer a long-term, sustainable approach to improve social infrastructure, enhance the value of public assets and make better use of taxpayer's money. It is difficult to group partnerships in a consistent fashion as it comes in all sizes and types. Since 1990s, the most important PPPs have been occurred in the sectors of education, health and transportation (Akintoye, Beck, & Hardcastle, 2003).

Today, PPP is usually formed to carry out a specific business task. Moreover, the membership of today's PPP is no longer restrained to the traditional central

government, local government and private sectors. The boundaries between the public and private sectors are very blurred now (Geddes, 2005).

1.2 Background of the Study

PPP phenomenon has emerged due to the growing appreciation of the importance of the market mechanism and the success of privatisation in various countries. This approach has become popular as they are served as the remedy to the lack of dynamism in traditional public service delivery. However, there is no systematic evaluation of the policy requirements for the successful PPP implementation (Jamali, 2004).

The PPP approach has been utilised in England since 1997. Private companies have been involved in facilities development which included designing, financing, construction, ownership or operation of a public sector service. However, there are more foreign firms or international financial institutions which have been involved in PPP projects in China rather than the domestic institutions. (Tang, Shen, & Cheng, 2009)

Nevertheless, the countries in the East Asia region have experienced more success in attracting private investment in the field of infrastructure if compare to the other developing countries (Abednego & Ogunlana, 2006). According to Li et al (2005), PPP seeks to combine the advantages of competitive tendering and flexible negotiation as well as to allocate the risk on agreed basis between the public sector and the private sector. (Ke, Wang, Chan, & Lam, 2009).

In Malaysia, the Private Finance Initiative (PFI) or PPP was announced in the Malaysian 9th Plan (RMke-9). It refers to the transfer of settlement and management responsibilities for capital and services investments such as construction, management, maintenance, improvement and replacement of government assets which include buildings, infrastructures, equipments and other facilities to the private

sectors. In exchange, the public sector will make payments for the services provided by the private sectors. The terms of the PFI and PPP are often being used inter-exchanged, but in the context of Malaysia, PFI is the subset of PPP (3PU, 2010).

Malaysian Government has started to involve in the private sector in the 1980s with the formulation of the Privatisation Policy in 1983 (Economic Planning Unit, 1993).

1.3 Problem Statement

Since the financial crisis of Asian, Malaysia has working hard to stabilise the economy and put it on a growth track. The partnership between the public and private sectors is one of the measures that need to be carried out in order to ensure that sustainable economic growth (Pricewaterhouse Coopers, 2004).

According to Bernama (2010), an estimated value of RM62.7 billion will be used to intensify 52 projects of privatisation and PPPs (PPP) under 10th Malaysia Plan. The projects include seven toll highways, five Universiti Teknologi MARA branch campuses, Integrated Transport Terminal in Gombak, privatisation of Penang Port and redevelopment of Angkasapuri Complex as Kuala Lumpur Media City.

Apart from that, the president of Master Builders Association Malaysia (MBAM), Datuk Ng Kee Leen said in MBAM Annual Safety Conference 2010 that on the expectations of the 10th Malaysian Plan, it should be positive with many projects to be turned out especially with the government's focus on public private investment. In addition, Datuk Ng also said that these partnerships will work well and the results will be encouraging (New Sabah Times, 2010).

Under 10th Malaysia Plan, strategies such as monetisation of public sector assets, strict checks to ensure prospective companies meet a minimum set of criteria,

strengthening the monitoring framework and adopting value for money will be undertaken in order to strengthen privatisation and PPP (Bernama, 2010).

Although the governments eagerly create PPP units and promote PPP, not everyone in the global PPP market is convinced of their value (Sanghi, Sundakov, & Hankinson, 2007). Furthermore, National Audit of Malaysia mentioned a few housing PPP projects which performed not well. One of these projects has taken 8 years to be completed due to the developer planned to complete the high-end portion of the development first. Another project was undergone in Selangor. This project did not achieve its sale quota to targeted buyers as the developer more concentrate on a more lucrative house-buyer segment. Apart from that, one of the under-performed projects produced financial loss to a public agency as the developer under-valued the granted land for the development (Abdul-Aziz & Kassim, 2010).

According to Orr (2006), there are nearly 40% of the PPP projects around the world have reworked the contract in this decade. This usually indicates an unsuccessful project (Bosso, 2008).

1.4 Research Questions

The research questions for this study are:

1. Do the contractors in Johor aware of the PPP method of acquisition?
2. What are the barrier and motivation factors in adopting PPP?
3. What are the views of the contractors on PPP practices in construction?

1.5 Aims and Objectives of Study

The main aim of this study is to investigate the perception of the contractors towards implementation of PPP in construction. Hence, the objectives of this study are:

1. To identify the level of awareness of the contractors in Johor towards PPP.
2. To determine the barrier and motivation factors in adopting PPP.
3. To explore the contractors' views on PPP practices in construction, including barrier and motivation factors.

1.6 Scope of the Study

The scope of this study focused on the following aspects only:

1. The location of this study focuses on Johor only.
2. The respondents are contractors of Class A of Pusat Khidmat Kontraktor (PKK) and Grade 7 of Construction Industry Development Board (CIDB) only.

1.7 Significance of the Study

Throughout this study, clear understanding on the perceptions of the contractors from Class A and Grade 7 towards PPP in the state of Johor was discovered. Besides that, the results and the findings of this study would be beneficial to the researchers in the future who wish to explore more in this area of study.

Apart from that, the information on the barrier and motivation factors in adopting PPP was also obtained. This information would enable the related parties to improve the condition where more contractors or relevant parties will be more understand and more willing to take part in PPP.

1.8 Research Methodology Brief

In general, the study was divided into two phases. The issues, problems, topic, aim and objectives, scope as well as the significance of the study were identified in the first phase. Besides that, literature review and distribution of the questionnaires were conducted in this phase too.

On the other hand, the collection and analysis of the data were conducted in the second phase. Apart from that, the conclusion and recommendation of the study were conducted in this phase as well. Figure 1.1 shows the research methodology flows of the study.

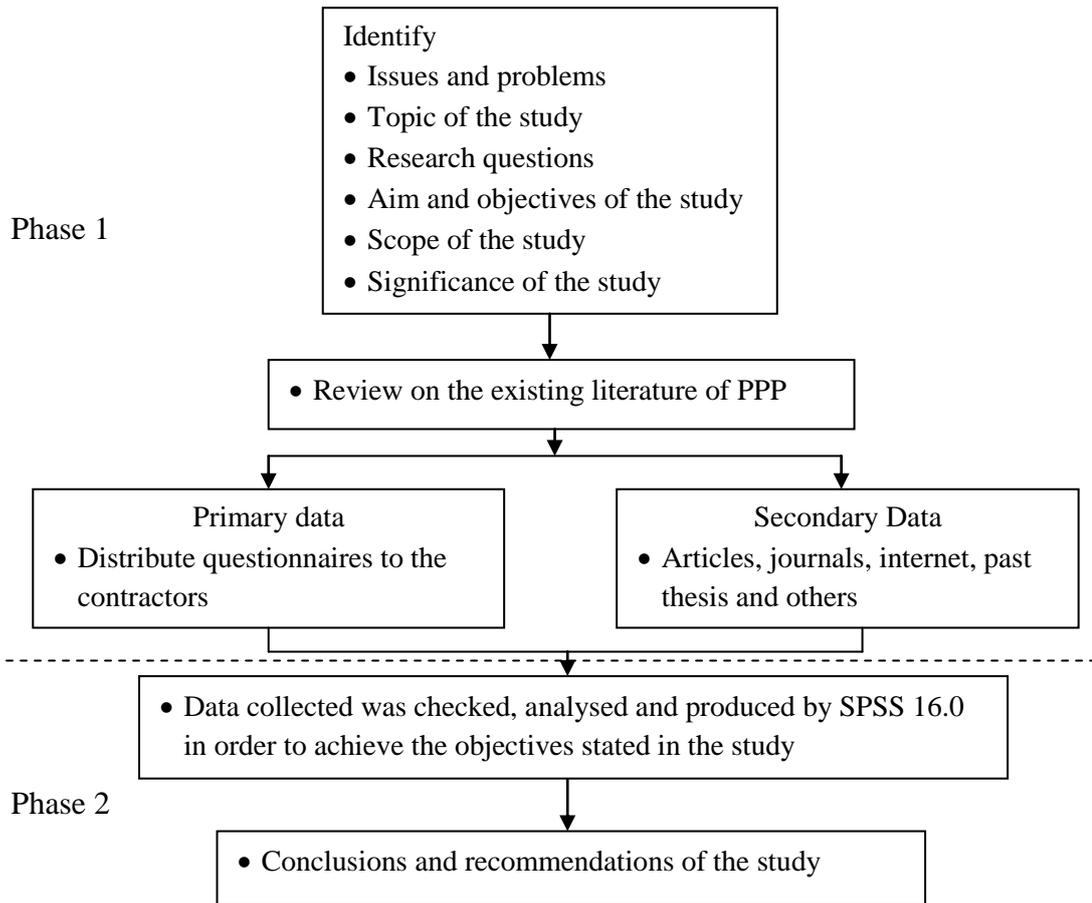


Figure 1.1 Research Methodology Brief