

Public sector, civil engineering projects to drive construction demand this year: BCA

Industry players expect builders to face tougher conditions

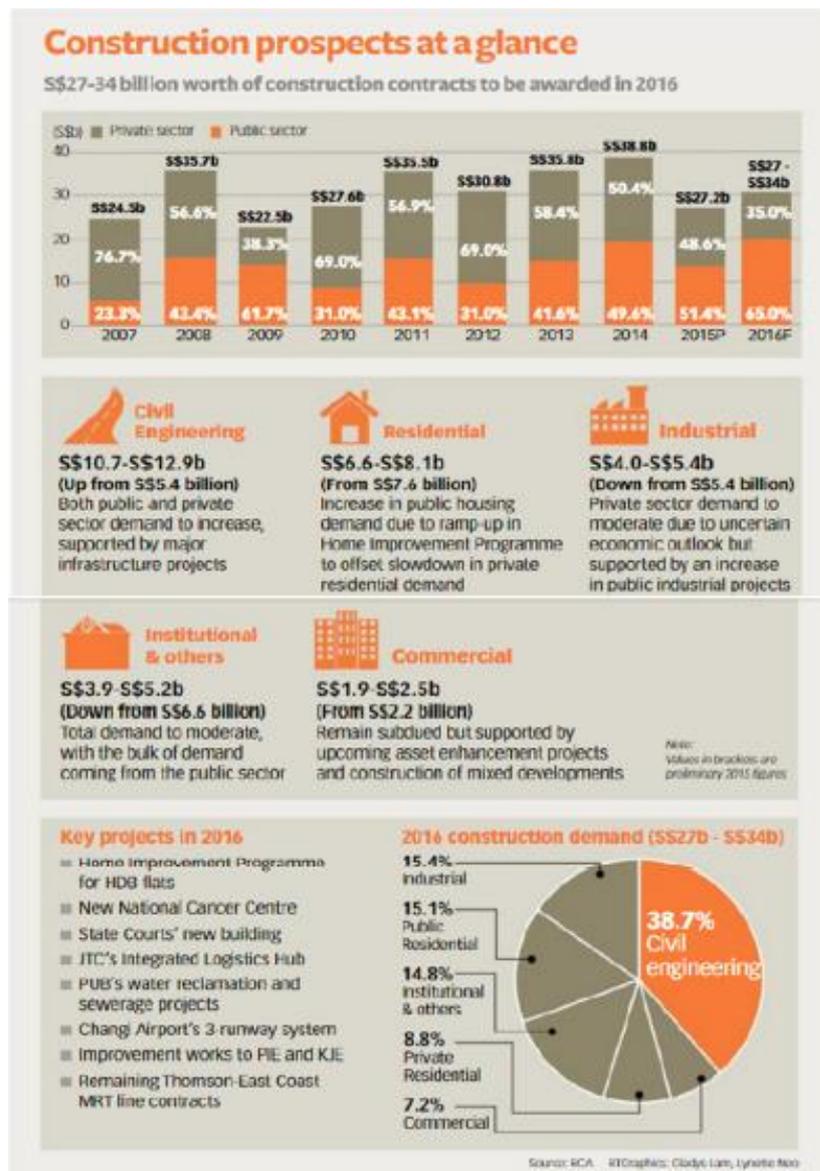
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CONSTRUCTION demand this year will be propped up by public sector projects amid an expected slowdown in the private sector, with a major shift towards more civil engineering works.

The Building and Construction Authority (BCA) said on Friday that S\$27-34 billion worth of construction contracts are expected to be awarded this year, of which 65 per cent will come from the public sector. This will be the highest proportion of construction demand from the public sector since 2002 when public sector contracts accounted for 66.6 per cent of the total.

But some market watchers flagged that it is a fraction of the many contractors in the fragmented sector that can undertake large public civil engineering works.

Tendering for major public projects like MRT tunnels and stations also require contractors to have met certain financial track records, said Eugene Seah,



group managing director for Langdon & Seah Singapore and Singapore city executive for Arcadis.

Amid greater competition and higher foreign worker levies, he expects tender prices to stay flat or dip by 2 per cent this year.

Kenneth Loo, president of the Singapore Contractors Association Ltd (SCAL), concluded that headwinds will persist in the construction sector this year, with builders feeling the heat more than the civil engineering players.

While acknowledging "tighter" conditions for the sector, BCA chief executive John Keung stressed that the tapering of construction demand should be seen in the context of very strong demand in the past five years ranging from S\$27 billion to S\$38 billion each year and that many of those projects were lumpy in nature. Last year, some S\$27.2 billion worth of building and construction contracts were awarded in Singapore, with public sector projects accounting for slightly more than half of the demand.

Amid the shift towards public sector-led demand, more civil engineering contracts and greater productivity focus, companies that are more diversified with civil engineering capabilities or those who are ready to upgrade their workforce and change the way they build and use technology will do better, Mr Keung said.

He was speaking to reporters at the annual outlook seminar jointly organised by BCA and the Real Estate Developers' Association of Singapore (Redas). BCA director of economic research department Lo Yen Lee also said at the seminar that there are opportunities for Singapore's built-sector players to go regional given the small domestic market, citing the support that BCA's international arm can render to firms to venture abroad.

She said that civil engineering contracts is expected to make up 38.7 per cent of construction demand this year (up from 19.9 per cent in 2015) as they will likely double to S\$10.7-12.9 billion in value on the back of major infrastructure projects this year, such as MRT contracts, PUB's water reclamation and sewerage projects, and Changi Airport's three-runway system (Package 2).

A total of 227 public consultancy tenders is expected to be awarded this year - with 80 per cent for building projects and 20 per cent for civil engineering projects, and 420 public construction tenders to be issued, with 55 per cent of the tenders each worth up to S\$14 million.

Some industry players have noted that for large infrastructure projects, the dominance of foreign players in the likes of Samsung C&T, Hyundai Engineering & Construction Co, Shanghai Tunnel Engineering Co, and China Construction has been a common gripe among local contractors.

Still, the overall sustained construction demand for this year provides stability to the sector, said Mr Loo, also executive director and chief operating officer at Straits Construction that focuses mainly on building. "The main contractors may be foreign or local players but the work will trickle down to the local sub-contractors, so having the critical mass (of projects) is still crucial."

For 2017 to 2020, BCA expects construction demand to range between S\$26 billion and S\$37 billion each year. Of this, annual demand from the public sector would come within S\$16-20 billion, with 60 per cent from building projects and the remaining from civil engineering projects.

Construction output this year is expected to moderate to S\$32-34 billion, partly due to lower construction demand in 2015. This followed some S\$35 billion (4.7 per cent of gross domestic product) of construction output - or progress payments made for work done - being generated last year.

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