

# CONSTRUCTION AS A DRIVER FOR ECONOMIC GROWTH

**EQUAL TREATMENT FOR  
LOCAL AND FOREIGN FIRMS**



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Donald Mullings

The construction industry has played a vital role in Jamaica's development. From the bauxite boom of the 1960s to the development of agriculture, manufacturing, housing, tourism and information technology, the industry has provided the infrastructure necessary to enable the development of these and all other sectors of the economy. As Jamaica strives to improve competitiveness, grasp economic opportunities, and to create a better life for its people, the industry must continue to provide the infrastructure that will enable success of the sectors.

## STATE OF THE INDUSTRY

More than 500 companies are involved in the industry, employing over 94,000 persons (8% of the workforce) and contributing an estimated 9% of the country's GDP. Residential construction continues to impact significantly on the industry with housing starts as follows:

Table 1: Residential Construction

	2012	2013	2014	2015	2016
National Housing Trust	1790	1689	1549	1270	3024
Housing Agency of Jamaica	0	938	99	136	0
Private Sector and Others	0	1207	490	197	1003

Non – residential construction also impacted significantly, with continued activities on highways, water supply projects, commercial buildings, air and seaport development, road repairs and a relatively buoyant tourism sector.

Despite the foregoing, domestic contractors struggled to survive as most of the major projects have been given to foreign firms. This has resulted in most of the major local firms remaining relatively idle or forced to close their doors.

Table 2: Highway and Road Projects

Project	COST (US)	CONTRACTOR
Jamaica North South Highway,	700 Mil	China Engineering (CHEC)
Marcus Garvey Drive	16 Mil	China Engineering (CHEC)
Mandela Highway	60 Mil	China Engineering (CHEC)
Hagley Park Road	60 Mil	China Engineering (CHEC)
Barbican Rd & Constant Spring Rd	50 Mil	China Engineering (CHEC)
Harbour View to Port Antonio	320 Mil	China Engineering (CHEC)
TOTAL	US \$1206 M (JM\$157b)	

Table 3: Recent Engineering Projects

Foreign firms have also undertaken major civil engineering projects as listed in Table 3.

National Works Agency (NWA)	9,721 Mil
National Water Commission (NWC)	5,156 Mil
Jamaica Public Service(JPS)	5,334 Mil
Port Authority of Jamaica	496 Mil
Telecom Sub-Sector.	6,992 Mil

Several hotel projects have also been undertaken by foreign contractors during 2016, including Blue Diamond Hotel, Grand Bahia Principe Hotel, Secrets Resort, and RIU Hotel (Montego Bay). Chinese firms have also undertaken several offices and apartment buildings including Grace Kennedy headquarters building, Ministry of Foreign Affairs and at The University of the West Indies, Mona.

By contrast with the recent past, the situation was very different in the post-independence period, up to about 15 years ago, when most construction projects were undertaken by local firms. Projects included most hotels, roads and bridges, schools, conference centres, multi-storey buildings like the Towers, hospitals, various ministries and government departments. Today after almost 60 years of independence, local firms consider themselves lucky to get a sub-contract on some of these projects.

## ROBUST CONSTRUCTION AGENDA AS PART OF NATIONAL DEVELOPMENT

The strategic importance of the construction industry for national development is internationally recognised to the extent that various countries have established competent bodies such as a Construction

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Industry Development Board to formulate and lay plans for improving their respective construction industries. Countries such as the United Kingdom, the United States, Canada, Japan, Singapore, China and Malaysia have robustly integrated a construction development agenda into their national development plan. Indications are that this has not only contributed to improving the competitive advantage of the respective domestic construction organisations, making them not only significant national and international players but also helping largely to lift living standards.

Our Vision 2030 plan is to make "Jamaica the place of choice to live, work, raise families, and do business." Embedded in these aspirations is an expectation that all sectors - agriculture, security, education, sports, ►►

manufacturing, tourism, construction, etc. will play their part in making this a reality. The questions that we asked years ago, we now ask again:

- Are local contractors ready or being allowed to actively participate and contribute to national development?
- Can we truly meet the Vision 2030 objectives with the main participants in the construction industry being foreigners?
- Isn't real and meaningful development of Jamaica only possible if we develop our people at the same time we are developing the physical infrastructure?

## NOT ASKING FOR SPECIAL FAVOURS

Domestic contractors, contrary to what some might want to believe, are not asking for any special favours or to ban foreign contractors. What we ask is to be given an opportunity to carry out our business in a fair way in our country. Specifically we are asking for:

- The same import duty regime as foreign firms
- The same tax structure
- Adherence to national labour and safety regulations and wage rates (our workers must be paid fair wages).
- Opening all projects to public tender and scrutiny.

We know how hard pressed Government can be to fund its projects and seem forced at times to accept conditions not favourable to the Jamaican workforce. Without foreign funding, perhaps we would not have had a highway. But there is a downside to this: Up to 45% of the project cost goes out as head office overheads, expatriate salaries and profits. We believe that no lower interest rate or soft loans can compensate for the damage being done to our system.

Many of us are not satisfied that our leaders understand or appreciate the significance of an industry employing approximately 8% of the workforce and contributing approximately 9% of the country's GDP. We believe that is why there is such a poor attitude to issues such as systematic planning, research and documentation, relevant training, performance management, quality of works,

innovation, technology transfer, professionalism and accountability, inequitable contract distribution. Or, perhaps they do, but because construction has such significant political impact—being the largest 'gravy train'—too much formality and organisation will reduce the power of those in authority.

## We propose the establishment of a Construction Industry Development Board to develop the industry and promote programmes to place the industry in a position to contribute more to the economy...

### A CONSTRUCTION AGENDA

For years some of us have been clamouring for a proper Construction Agenda, which led us in 2006 (see IMAJ Annual Report) to put forward what we considered fundamental changes and programmes necessary to move the construction industry ahead and make it more relevant to the nation's needs. Today, that agenda is more needed than ever.

We propose the establishment of a Construction Industry Development Board to develop the industry and promote programmes to place the industry in a position to contribute more to the economy, to provide and deliver high quality construction works, value for money and respond to the nation's need. The board would comprise all relevant stakeholders in the industry with its main thrusts being:

- Coordinating the needs and wants of the industry
- Planning the direction of the industry
- Making recommendations in the formulation of policies for the industry.

Key items on the construction industry agenda are:

- Address the shortage of a well-educated, trained, skilled and certified workforce, at all levels, able to produce to international standards both in quality and quantity through improved education, training and certification.
- Update, revise, and enforce, as necessary, all laws regarding wage rates, health and safety standards in the industry.
- Facilitate technological development of local firms using tax and duty concessions to encourage re-tooling with advanced and lower cost equipment and machinery.
- Give tax concessions to contractors who sponsor training and certification as well as health and safety programmes.
- Make home ownership easier by putting transfer tax on the value of land only, for residential properties and make deposits on all low to middle income homes tax free.
- Provide tax and G.C.T concession for development in inner city and specially designated areas. This will not only lead to more activities

in the industry, but will help to fuel development in the inner-city and specially designated areas.

- Optimize use of available lands by allowing higher density development and revitalizing older sub-urban and inner city communities.
- Increase government involvement in infrastructure development, especially as it relates to the provision of adequate water supply systems, a modern sewage collection system and better roads to residential areas.
- Enforce mandatory building code and acceptable engineering standards for all players in the industry. The code should include strict timelines for all approvals, agreed procedures for project implementation and monitoring, licensing of all contractors and other operatives within the industry, effective sanctions against violators and negligence especially as it relates to public sector projects.
- Government needs to take immediate steps to enable (adequate staff and finance) the various agencies that deal with the design, approval and monitoring of the industry.
- Government should improve the scope and quality of the statistical and planning information related to the industry that it collects and disseminates. Accurate and timely statistical data is vital for decision making regarding investments, research, training and development, worker and material availability, legislation and adequate regulation.
- Make further progress in the way contracts are awarded by improving the availability and flow of information on upcoming projects as some agencies of government are extremely reluctant to divulge the simplest of information on projects.

These critical questions, among others must be answered, as the answers will point us in the direction we must go if we hope to realise our Vision 2030 aspirations. ■

*Donald Mullings is Managing Director of M & M Jamaica Limited and a Past President of the Incorporated Masterbuilders Association of Jamaica.*



## For all your Building Contract Documents:

- Standard Form of Building Contracts
- Agreement for Minor Works
- Code of Procedure for Selective Tendering (Building Works)
- Code of Procedure for Selective Tendering (Engineering Works)

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