THE PROFILE OF CONSTRUCTION DISPUTES

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Specially dedicated to my family for your love and support

"With love and appreciation"
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ABSTRACT

Dispute in construction industry always occur and can be attested by many court cases reported in court proceedings, various law journals and law reports. Construction disputes can have serious implication in construction project. The project may suffer cost and time overrun, the owner may suffer significant loss and profit and worst still the project may be abandoned or failed. This is because construction is a complex process involving of many activities, myriads of individual, different company or firms, different size, part of country with different skills and capabilities and always subject to changing environment. The issues are which elements is actually the common subject matter of the disputes? What is the nature of the disputes? Who are the parties involved? What type of the project? When do the disputes occur? And what kind of standard form of the project? Therefore, the objectives of this study is to develop profile of construction disputes feature or characteristic of the dispute where consists of the nature of the disputes, the parties involved, type of the project, time of the disputes occurred, and standard form of contract for the project. Limitation of this study will be on the construction disputes reported by Malayan Law Journal between 1997-2007, cases in Malaysia and related to Building Contract only while the methodology of this study will be based on the secondary data analysis. Research finding identified that the common nature of construction disputes is payment and the disputes are related to non payment of certified sums and mislead in payment procedure according to terms of standard form of contract. The most party involved in construction disputes are between the employer and the main contractor. The analysis also identified that the most disputes occurred during construction phase and mostly involved of building construction while PAM Standard Form of Contract is the most form of contract that involved in construction disputes. By developing this profile, hopefully it will help the project manager in anticipate the common disputes at early stage of the project. Besides as a tool in contract management, this profile definitely helps to prevent or minimize the disputes in Malaysian construction industry.
ABSTRAK

TABLE OF CONTENTS

CHAPTER   TITLE

TITLE                                      i
DECLARATION                                ii
DEDICATION                                 iii
ACKNOWLEDGEMENT                           iv
ABSTRACT                                  v
ABSTRAK                                   vi
TABLE OF CONTENTS                         vii
LIST OF CASES                             x
LIST OF TABLES                            xiii
LIST OF FIGURES                           xiv

CHAPTER 1 INTRODUCTION

1.1  Background of the Problems            1
1.2  Problem Statement                     2
1.3  Previous Study                        3
1.4  Objectives of The Study              4
1.5  Scope of Studies                      4
1.6  Significant of Studies               5
1.7  Research Methodology                  6
1.7.1 Stage 1: Identify Research Issues   6
1.7.2 Stage 2: Literature Review          6
1.7.3 Stage 3: Data and Information Collection 6
1.7.4 Stage 4: Research Analysis          7
1.7.5 Stage 5: Conclusion and Recommendation 7
1.7.6 Research Flow Chart                 8
1.8 Organisation of Thesis Chapter

1.8.1 Chapter 1: Introduction

1.8.2 Chapter 2: The Nature and Characteristic of Construction

1.8.3 Chapter 3: Profiling

1.8.4 Chapter 4: The Profile of Construction Disputes

1.8.5 Chapter 5: Conclusion and Recommendation

CHAPTER 2 THE NATURE AND CHARACTERISTIC OF CONSTRUCTION

2.1 Introduction

2.2 Definition of Construction

2.3 Characteristic of Construction

  2.3.1 Involved of Construction Design Principals and Procedures

  2.3.2 Involved of Many Organizations and Supervisions

2.4 The Nature of Construction Disputes

  2.4.1 Enforceable Promises

  2.4.2 Technical Methods

  2.4.3 Legal Matters

2.5 Causes of Disputes

  2.5.1 Defects or Omission in Contract Document

  2.5.2 Failure or Accurately Estimate the Cost

  2.5.3 Changed of Condition

  2.5.4 The Consumer

  2.5.5 The People Involved

2.6 The Effect of the Disputes

  2.6.1 Quality

  2.6.2 Time

  2.6.3 Money

2.7 Conclusion
CHAPTER 3 PROFILING

3.1 Introduction 39
3.2 Definition of Profile 39
3.3 The Importance of Profile 40
3.4 Parameter of Profiles Construction Disputes 41
   3.4.1 Nature of Construction Disputes 41
   3.4.2 The Parties Involved 45
   3.4.3 Types of Construction 50
   3.4.4 Time of Disputes 52
   3.4.5 Types of Standard Form of Contract 54
3.5 Conclusion 54

CHAPTER 4 THE PROFILE OF CONSTRUCTION DISPUTES

4.1 Introduction 55
4.2 Analysis on the Nature of Construction Disputes 72
4.3 Analysis on the Parties Involved in Construction Disputes 93
4.4 Analysis on the Types of Construction 108
4.5 Analysis on the Time of Disputes 120
4.6 Analysis on the Standard Form of Contract 132
4.7 Conclusion 133

CHAPTER 5 CONCLUSION AND RECOMMENDATION

5.1 Introduction 135
5.2 Research’s Finding 135
5.3 Research’s Constraints 137
5.4 Suggestions For Further Research 138
5.5 Conclusion 138

REFERENCES 139
LIST OF CASES

Akitek Tenggara Sdn Bhd v Mid Valley City Sdn Bhd & Anor [1999] 2 MLJ 625
Antara Elektrik Sdn Bhd v Bell & Order Bhd [2002] 3 MLJ 321
BMC Construction Sdn Bhd v Dataran Rentas Sdn Bhd [2001] 1 MLJ 356
CCG Concrete Constructions (M) Sdn Bhd v Rich Avenue Sdn Bhd [2000] MLJU 422
Choo Ngie Sin v Tan Kok Ming [1998] MLJU 214
CM Indah v UB Ushabina Sdn Bhd [2006] MLJU 426
Crystal Realty Sdn Bhd v Wary Holdings Sdn Bhd [2000] MLJU 212
Daewoo Corpv Bauer (M) Sdn Bhd [1998] 7 MLJ 25
Fajar Menyinsing Sdn Bhd v Angsana Sdn Bhd [1998] 6 MLJ 80
Fasda Heights Sdn Bhd v Soon Ee Sing Construction Sdn Bhd & Anor [1999] 4 MLJ 199
Halim b Sutarjo v KPMB Builder Bhd [2005] 4 MLJ 273
Hap Aik Construction Bhd v HPC Engineering (M) Sdn Bhd [2002] MLJU 105
Highceed Corp Sdn Bhd v Warisan Harta Sabah Sdn Bhd & Anor [2000] 5 MLJ 33
I-Expo Sdn Bhd v TNB Engineering Corporation Sdn Bhd
Ismail bin Mohd Yunos & Anor v First Revenue Sdn Bhd [2000] 5 MLJ 42
Jak Kwang Builders & Developers Sdn Bhd v Ng Chee Keong & Ors [2001] 4 MLJ 356
Jaiticon (M) Sdn Bhd v Nikken Metal (M) Sdn Bhd [2001] 5 MLJ 716
JKP Sdn Bhd v PPH Development (M) Sdn Bhd [2003] 6 MLJ 192
Joo Leong Timber Merchant v Dr. Jaswant Singh A/L Jagat Singh [2003] 5 MLJ 116
Keen Builders Sdn Bhd v Utara Dua (Malaysia) Sdn Bhd and Third Party [1998] MLJU 408
Kemayang Construction Sdn Bhd v Prestara Sdn Bhd [1997] 5 MLJ 608
Kenanga Inovasi Sdn Bhd v Toh Kim Lam & Anors [2006] 4 MLJ 590
KM Quarry Sdn Bhd v Ho Hup Construction Co Bhd [2006] MLJU 157
Kua Chai Singh Construction Sdn Bhd v UPHA Pharmaceutical Manufacturing (M) Sdn Bhd [2004] 1 MLJ 609
Lightweight Concrete Sdn Bhd v Nirwana Indah Sdn Bhd [1999] 5 MLJ 351
Lim Joo Thong v Koperasi Serbaguna Taiping Barat Bhd [1998] 1 MLJ 657
Lim Teck Kong v Dr Abd Hamid Ab Rashid & Anor [2005] MLJU 512
Low Kok Hwa v Sime Darby Urus Harta Bhd [1997] MLJU 365
Luxor Holding Sdn Bhd v Hainal-Kony (M) Sdn Bhd [2006] 3 MLJ 727
Mahkota Technologies Sdn Bhd v BS Civil Engineering Sdn Bhd [2000] 6 MLJ 505
Malayan Flour Mills Sdn Bhd v Raja Lope & Tan Co & Anor [1998] 6 MLJ 377
Marplan Sdn Bhd v Hanhyo (M) Sdn Bhd & Ors [2001] MLJU 389
Mascom (M) Sdn Bhd & Ors v Ken Grouting System Specialist Sdn Bhd [2004] 2 MLJ 163
Meda Property Services Sdn Bhd v Abric Cladding Sdn Bhd [2000] MLJU 310
Nafas Abadi Holdings Sdn Bhd v Putrajaya Holdings Sdn Bhd & Anor [2004] MLJU 148
Neoh Khoon Lye v Transintan Sdn Bhd [2002] 6 MLJ 8
Oriental Enterprise Sdn Bhd v Sri Hartamas Contractors Sdn Bhd [2001] MLJU 549
Poh Gok Sing v HB Enterprise Sdn Bhd [2006] 1 MLJ 617
Ribaru Bina Sdn Bhd & Anor v Bakti Kausar Development Sdn Bhd & Anor [2003] MLJU 385
Siemens Building Technologies (Malaysia) Sdn Bhd v Geahin Engineering Berhad [2001] MLJU 26
SK Styrofoam Sdn Bhd v Pembinaan LCL Sdn Bhd [2004] 5 MLJ 385
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Tahan Steel Corp Sdn Bhd v Bank Islam Malaysia Bhd [2004] 6 MLJ 1
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Transfield Projects (M)Sdn Bhd & Anor v Malaysian Airlines Systems Bhd [2000] 7 MLJ 583
Travelsight (M) Sdn Bhd & Anor v Atlas Corp Sdn Bhd [2003] 6 MLJ 658
Usaha Damai Sdn Bhd v Setiausaha Kerajaan Selangor [1997] 5 MLJ 601
Usahabina v Anuar bin Yahya [1998] MLJU 176
Vistanet (M) Sdn Bhd v Pilecon Civil Works Sdn Bhd [2005] 6 MLJ 664
Zasalim Development Sdn Bhd vLum Siew & SonsSdn Bhd [2002] 7 MLJ 119
<table>
<thead>
<tr>
<th>TABLE NO.</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.2 (a), (b)&amp; (c)</td>
<td>Analysis Nature of Construction Disputes</td>
<td>56, 63, &amp; 67</td>
</tr>
<tr>
<td>4.3</td>
<td>Analysis of the Parties Involved in Construction Disputes</td>
<td>81</td>
</tr>
<tr>
<td>4.3.1</td>
<td>Data Analysis of Party Involved in Construction Disputes (Individual)</td>
<td>93</td>
</tr>
<tr>
<td>4.3.2</td>
<td>Data Analysis of Parties Involved in Construction Disputes (Plaintiff and Defendant)</td>
<td>95</td>
</tr>
<tr>
<td>4.4</td>
<td>Analysis of the Type of Construction that Involved in Construction Disputes</td>
<td>97</td>
</tr>
<tr>
<td>4.5</td>
<td>Analysis of the Time of Construction Disputes Occur</td>
<td>109</td>
</tr>
<tr>
<td>4.6</td>
<td>Analysis of the Standard Form of Contract</td>
<td>121</td>
</tr>
</tbody>
</table>
# LIST OF FIGURES

<table>
<thead>
<tr>
<th>FIGURE NO.</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.7.6</td>
<td>Research Flow Chart</td>
<td>8</td>
</tr>
<tr>
<td>2.1</td>
<td>Organisation Structure of Small/Medium Sized Company</td>
<td>24</td>
</tr>
<tr>
<td>2.2</td>
<td>Major Construction Group’s Organisation Structure</td>
<td>25</td>
</tr>
<tr>
<td>4.2.1</td>
<td>Types of Payment Disputes</td>
<td>73</td>
</tr>
<tr>
<td>4.2.2</td>
<td>Types of Variation Disputes</td>
<td>74</td>
</tr>
<tr>
<td>4.2.3</td>
<td>Types of Termination Disputes</td>
<td>75</td>
</tr>
<tr>
<td>4.2.4</td>
<td>Types of Delay Disputes</td>
<td>76</td>
</tr>
<tr>
<td>4.2.5</td>
<td>Types of Damages Disputes</td>
<td>77</td>
</tr>
<tr>
<td>4.2.6</td>
<td>Types of Performance Bond Disputes</td>
<td>78</td>
</tr>
<tr>
<td>4.2.7</td>
<td>Types of Default Disputes</td>
<td>79</td>
</tr>
<tr>
<td>4.2.8</td>
<td>The Nature of Construction Disputes</td>
<td>80</td>
</tr>
<tr>
<td>4.3.1</td>
<td>Percentages of Party Involved in Construction Disputes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Individual)</td>
<td>94</td>
</tr>
<tr>
<td>4.3.2</td>
<td>Percentages of the Parties Involved in Construction</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Disputes (Plaintiff and Defendant)</td>
<td>96</td>
</tr>
<tr>
<td>4.4.1</td>
<td>Types of Construction that Involved in Construction</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Disputes</td>
<td>108</td>
</tr>
<tr>
<td>4.5.1</td>
<td>Time of Construction Disputes Occur</td>
<td>120</td>
</tr>
<tr>
<td>4.6.1</td>
<td>Percentages of Standard Form of Contract</td>
<td>132</td>
</tr>
</tbody>
</table>
CHAPTER 1

INTRODUCTION

1.1 Background of the Problems

Dispute in construction industry always occur and can be attested by many court cases reported in court proceedings, various law journals and law reports. For example The Building Law Reports which start in 1976, now running to 57 volumes and Construction Law Reports began in 1985 has now 27 volumes containing thousands of cases.

Construction issues and disputes grow from variety of causes as reported in the cases. A survey of more than 300 relatively recent major disputes leads to the conclusion that the causes of dispute are attributed to five sources (Hohns H.Murray, 1979).

They are, errors, defects, or omission which exist in the contract document, the failure of someone to accurately estimate the costs of the undertaking in its beginning, the changed condition of the site or location, the consumer and the people involved.
The main objective of project management and contract management is to ensure that the project is successful, completed on time, within cost at the described quality given the fragmented and complex nature of the construction. It is most appropriate to adopt an anticipatory approach of management. For example, to anticipate problems before they actually occur and to handle necessary preventive actions where one of the main functions of a Project Manager or Contract Manager is to act as an arbitrator or dispute handler.

1.2 Problem Statement

A study of the causes has been carried out such as errors, defects, or omission in the contract document, the failure of someone to accurately estimate the costs, the changed condition of the site or location, the consumer and the people involved.

But these are the general findings and some others elements have to be determined. This because construction is a complex process involving many activities, myriads of individual, different companies or firms, different size, part of country with different skills and capabilities and always subject to changing environment. Construction disputes can have serious implication in construction project. The project may suffer cost and time overrun, the owner may suffer significant loss and profit and worst still the project may be abandoned or failed. As a client in any construction project, they are also trying to avoid any disputes during the construction and they don’t want any lengthy litigation process in resolving disputes.
The issues are which elements is actually the common subject matter of the disputes? What is the nature of the disputes? Who are the parties involved? What type of the project? When do the disputes occur? And what kind of standard form of the project?

It is essential in construction contract management to adopt an anticipative approach to management. Since disputes have been one of the major factors affecting cost and time, it is necessary to determine the nature or the general background or the profile of the disputes. By having thorough knowledge and information, it will definitely help the project manager and contract manager to anticipate problems at an early stage of the project.

Therefore, profile which can be defined as a “brief description of a person, publication, broadcast station, or group in terms of a number of relevant parameters” is important to be developing in construction industry which it is to describe the common features of construction disputes.

1.3 Previous Study

One of the significant previous study is by Hohns, H. Murray (1979) which highlight the recent major disputes leads to the conclusion that their causes can be largely traced to five sources which are errors, defects, or omission in the contract document, the failure of someone to accurately estimate the costs of the undertaking in its beginning, the changed condition of the site or location, the consumer and the people involved.
1.4 **Objective of Studies**

The objective of this study is:

To develop profile of construction disputes feature or characteristic of the dispute where consists of the nature of the disputes, the parties involved, type of the project, when do the disputes occurred, and standard form of contract for the project.

1.5 **Scope of Studies**

This research is limited to the following:-

a) To construction disputes reported by Malayan Law Journal between 1997-2007  
b) Cases in Malaysia only  
c) Cases related to Building Contract only.

1.6 **Significant of Studies**

This profile will applicable as a tool in construction industry where all people will get information and it is important in construction contract management to anticipative the disputes at an early stage of project in order to prevent and minimized the disputes.

From this profile, people in this industry will be more clarified with background of the disputes, and influenced them to be more aware before they involved in construction field.
The parties such as employer, an architect, project manager, main contractor, sub contractor or supplier will be more responsible in carrying out their duty with more regularly and diligently without make the same mistakes by learning from the previous disputes.

Or maybe by this research, the clients of public and private project were in health competitive environment to prevent any dispute from occurred in their project besides ensuring their project to be successful.

1.7 Research Methodology

Briefly, the research process will be divided into five stages:

1. Identifying the research issue
2. Literature review
3. Data and information collection
4. Research analysis
5. Conclusion and recommendations
1.7.1 Stage 1: Identifying Research Issue

Identifying the research issue is the initial stage of the whole research. To identify the issue, firstly, it involves discussion with lecturer and reading on variety sources of published materials, such as journals, articles, seminar papers, previous research papers or other related research papers, newspapers, magazines, and electronic resources as well through the World Wide Web and online e-databases from University of Technology Malaysia, UTM library’s website.

1.7.2 Stage 2: Literature Review

Literature review is the second stage of the research. Literature review will be involved the collection of documents which from secondary data for the research, such as books, journals, newspapers. Indeed, published resources like books, journals, varies standard form of contract, and related statutory are the most helpful in this literature review stage. Besides this, reported court cases from different sources like Malaysian Law Journal and Building Law Reports will be referred.

1.7.3 Stage 3: Data and Information Collection

This stage is data and information collection stage. This is an important stage towards achieving the objectives of this research. In this stage, the further action is to collect the relevant information based on the secondary data from the published resources. Lexis-Nexis database which provides cases of Malayan Law Journal is the main sources in getting the related cases.
1.7.4 Stage 4: Research Analysis

In this stage, it is able to determine whether the stated objectives have been achieved or vice versa. Different types of analysis will be carried out according to the requirements of the objectives.

1.7.5 Stage 5: Conclusion and Recommendations

Conclusion and recommendations is the final stage of the research. In this stage the findings will be able to show the result of the research. A conclusion needs to be drawn in-line with the objectives of the research. At the same time, some appropriate recommendations related to the problems may be made for a better solution in relation to the said problem.
1.7.6 Research Flow Chart

IDENTIFY THE INTERESTED FIELD

READING
~ Books
~ Statutory
~ Cases
~ Previous Thesis
~ UTM library
~ Electronic database

DISCUSSION
~ Lecturer

Determination of issues

Determination of research title

Determination of objectives and scope of the research

Preparation of research methodology and research design.

STAGE 1
LITERATURE REVIEW

SECONDARY DATA

1) ~ Books
   ~ Statutory
   ~ Cases Related
   ~ Previous Thesis

2) UTM library electronic database: ‘Lexis-Nexis Legal Database’
   e.g. Malayan Law Journal
       Building Law Report

STAGE : 2
1. THE NATURE OF DISPUTE
2. THE PARTIES INVOLVED
3. TYPE OF CONSTRUCTION
4. TIME OF DISPUTE
5. STANDARD FORM OF THE CONTRACT

DATA ANALYSIS

DATA ARRANGEMENT