

IMPROVEMENT OF CONSTRUCTION PERMIT PROCESS APPROVAL AT
LOCAL GOVERNMENT IN MALAYSIA

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*Kepada Isteri, yang sentiasa mendoakan suamimu ini
Kepada anak-anak, yang banyak beri sokongan kepada Abah
Kepada sahabat, yang tidak jemu memberi motivasi supaya diri ini terus
melangkah
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kepada kalian*

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ABSTRACT

Construction industry plays a leading role in the economies worldwide and Malaysia particularly. Fast delivery of construction permit by the local government, will encourage construction industry to grow faster. Currently, frustration and disappointment are constantly faced by industry players in getting construction permit, due to the late delivery. The objectives of this research are to appraise the efficiency of current process flow for the construction permit, to determine critical factor causing construction permit delay and to propose improvement of the current process in dealing with construction permit. This study employs an exploratory research approach supported by data collection and interaction with the experts in the focus group of construction permit. Their aim is to study the current service delivery system such as legislation, procedures, processes, best benchmark practices to improve the efficiency and effectiveness of the public sector delivery system. World Bank methodology has been used to measure the performance of dealing with construction permit at each locality. The measured parameters are the number of procedures and time taken for each activity in the process. Sample data has been collected from sixteen completed Petronas petrol stations in each capital cities which fall under small scale commercial projects to undergo the survey. Based on the collected data, it indicates that current number of procedures and time required to obtain construction permits has adverse effects over the construction industry performance. The finding revealed that although for small scale project, the number of the procedure and the time taken is different between one local authority and another, although under same common laws. Distance to frontier method has been used as a measurement, that demonstrate the best performance observed on each indicator across all localities. Finding shows that Kuala Lumpur is more efficient with the implementation of risk-based component, eliminating unnecessary procedures, good coordination throughout permitting cycle and involvement of competent officer with multi-tasking knowledge in each agency. The outcome of this study is to develop new framework with a set of primary data on procedures and time in construction permit. The reduction of time and procedures in obtaining construction permit would contribute the construction industry players towards a better business environment, efficient and increase Malaysia economy growth.

ABSTRAK

Industri pembinaan memainkan peranan utama dalam ekonomi di seluruh dunia dan Malaysia terutamanya. Pengeluaran permit pembinaan dengan cepat, akan menggalakkan industri pembinaan berkembang pesat. Pada masa kini, kekecewaan dan ketidakpuasan sering dihadapi oleh pemain industri bagi mendapatkan permit pembinaan berikutan kelewatan pengeluaran permit. Objektif penyelidikan adalah untuk menilai kecekapan proses permit pembinaan semasa, menentukan faktor kritikal penyebab kelewatan permit dan cadangan menambah baik proses semasa bagi mengatasi kelemahan permit sediaada. Kajian ini menggunakan pendekatan penyelidikan yang disokong dengan pengumpulan data serta interaksi dengan pakar dalam kumpulan fokus permit pembinaan. Fungsinya adalah untuk mengkaji sistem penyampaian perkhidmatan sediaada dari segi undang-undang, prosedur, proses, amalan penanda aras terbaik untuk meningkatkan kecekapan sistem penyampaian. Metodologi Bank Dunia telah digunapakai untuk mengukur prestasi kerja permit pembinaan. Parameter yang diukur adalah bilangan prosedur dan masa untuk setiap aktiviti di proses sediaada. Sampel data dari enam belas stesen minyak Petronas bagi setiap bandar di ibu negeri bagi projek komersial berskala kecil digunakan untuk penilaian. Berdasarkan data yang dikumpul, ia menunjukkan bahawa bilangan prosedur dan masa yang diperlukan untuk mendapatkan permit pembinaan mempunyai kesan buruk terhadap prestasi industri pembinaan. Hasil kajian menunjukkan, walaupun projek skala kecil, bilangan prosedur dan masa yang diambil adalah berbeza antara satu lokaliti dengan yang lain walaupun menggunakan undang-undang yang sama. Kaedah jarak ke sempadan telah digunakan sebagai pengukur, dimana ianya mewakili prestasi terbaik bagi setiap petunjuk sampel yang diperolehi. Dapatan kajian menunjukkan bahawa Kuala Lumpur menjadi lebih cekap dengan pelaksanaan komponen berasaskan risiko, menghapuskan prosedur yang tidak diperlukan, penyelarasan yang baik dan penglibatan pegawai yang kompeten dengan pengetahuan berbilang tugas dalam setiap agensi dapat membantu mempercepatkan proses pengeluaran permit. Hasil daripada kajian ini adalah untuk membangunkan rangka kerja baru dengan satu set data bilangan prosedur dan masa urusan permit pembinaan. Pengurangan masa dan prosedur untuk mendapatkan permit pembinaan akan menyumbang kepada pemain industri pembinaan ke arah persekitaran perniagaan yang lebih baik, cekap dan meningkatkan pertumbuhan ekonomi Malaysia.

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LIST OF ABBREVIATIONS

ACEM	-	Association of Consulting Engineers Malaysia
BEM	-	Board of Engineers Malaysia
CCC	-	Certificate of Completion and Compliance
CFO	-	Certificate of Fitness for Occupation
DBKL	-	Kuala Lumpur City Hall
DCP	-	Dealing with Construction Permit
DOSH	-	Department of Safety and Health
DTF	-	Distance to frontier
ETP	-	Economic Transformation Programme
FGDCP	-	Focus Group in Dealing with Construction Permit
RISM	-	Royal Institution of Surveyors Malaysia
GDP	-	Gross Domestic Product
GNI	-	Gross National Income
IWK	-	Indah Water Konsortium
JKT	-	Department of Local Government
JMG	-	Jabatan Mineral dan Geosains Malaysia
KWP	-	Ministry of Federal Government
LAM	-	Board of Architects Malaysia
MCMC	-	Malaysian Communication and Multimedia Commission
KeTTHA	-	Ministry of Energy, Green Technology and Water
MPC	-	Malaysia Productivity Corporation
NKEA	-	National Key Economic Area
OSC	-	One Stop Centre
PAM	-	Malaysia Institute of Architects
PDB	-	Petronas Dagangan Berhad

PPSPPA	-	Perbadanan Pengurusan Sisa Pepejal & Pembersihan Awam
PSP	-	Principal Submitting Person
PTD	-	Land and District Office
REHDA	-	Real Estate and Housing Developers Association
QP	-	Qualified Person
SP	-	Submitting Person
SPAN	-	National Water Services Commission
LPBM	-	Board of Town Planners Malaysia
SYABAS	-	Syarikat Bekalan Air Selangor
TNB	-	Tenaga Nasional Berhad
T&C	-	Testing and Commissioning
JPIF	-	Planning and Infrastructure Department
JKAWS	-	Civil Works and Drainage Department
NFP	-	Network Facilities Provider

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CHAPTER 1

INTRODUCTION

1.1 Background Study

The main objective of vision 2020 is to make Malaysia a prosperous, competitive, dynamic, robust and resilient. The idea to developed nation not only in economic terms but also in terms of justice social, political stability in government systems, quality of life of society, and spiritual values, national pride and confidence. In this case, the construction sector plays an important and effective because of the dynamic nature and extensive links backwards and forwards with the other sectors of the economy.

Vision 2020 is a good initiative created by the government for development in construction industry. The government take good strategies to uplift economy by including construction sector as main agenda in Economy Transformation Plan. Infrastructure development has strong positive correlation with the GDP.(Khan, Liew, & Ghazali, 2014)

This is a sector that provides infrastructure and socio-economic growth production and basic amenities such as residential spaces, playgrounds and stadiums, commercial buildings and industrial plants, health care, roads, highways, railways, ports, airports, dams, power generation and supply stations, utility communications, and also other basic infrastructure necessary for a country and to develop and improve people's quality of lives. It is a prerequisite, if the construction industry developed

rapidly, it ensures the generation of economies of nations. It can be defined as a kind of economic engine developed in developing economies. At the same time, it will catalyse employment sector of a country. Hence, it is important in a country, the factors that weaken the construction industry need to be addressed immediately.

There are many complain received about the delay in construction activity, due to difficulties to obtain construction permits from the local authorities and agencies responsible. Such as these studies has been done by the developed countries to overcome delays in construction. Therefore, getting construction permits is an important process in term of facilitates construction projects in Malaysia. From previous studies (Focus Group Dealing with Construction Permits), found that sixteen of the local government of the capital in relation to the number of procedures, time and cost required to complete a building permit has a negative impact on the performance of the construction industry. Many public and professional committees have been set up in various countries to explore ways for making the regulatory system more result-oriented. (Peer, 1986)

World Bank reports, easy doing business for 189 countries around the world, comprises of ten indicators, starting a business, dealing with construction permit, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and Resolving insolvency. Dealing in construction is one of the indicators give direct impact to the construction industry. Delay in construction will create significant impact on the economy growth. Less business activity and indirectly reduced the investor rates. Most of the study done by World Bank proved that, per capita gross domestic product (GDP) and municipal transparency index has a relation. It is important to address delay in construction permit which is rampant happen in construction industry in Malaysia. (Pemudah Bulletin, 2012) This study contributes to the understanding of the performance of the building permit process and to develop a new model that is more efficient in dealing with construction permits.

Productivity is a driver towards revenue growth and stimulates economic growth. With the increase in population and labour force participation, productivity should be emphasized in order to accelerate economic growth. It is a natural and

important consideration for decision maker in any organization to focus on productivity increment. It helps to generate higher income for people and increase the economy growth. In government administration and organization continued need to boost productivity right to remain in the forefront of the policies made.

Regulation is a contributor of well-functioning economy. Good regulation will contribute positive impact on productivity. The incentives may lead businesses to change their operation and investment decisions or over regulation will bring to negative impact and increase compliance cost. The economy will not function properly without regulations. However, if the rules are weak and not consistent business operations become complicated. Inconsistence fails to the economy.

In construction industry, large number of events and factors related to the performance need to be addressed. There are so many considerable amounts of factors and activities related in construction. It is worthwhile to examine these factors as influencing the performance. If viewed from the perspective of project management, a group of internal and external factors will impact directly on the performance of the project as an example in the form of project design and built. Management obtained a permit in the early stages of the project should be emphasized that there is no serious problem for the whole project delays. (T Moullier, 2009) Conventionally, the factor of delay issuing permit and others influences in the development process of the project. There are a lot of empirical evidence shows that this happens at the beginning of the project and play a very important role in the completion of the time period and the project. (Echeverry, 2007; Páez, Vargas, Prieto, and Mesa, 2010).

According to some empirical evidence, a key process in this case is to obtain a building permit. Therefore, without a proper license management, the project cannot be performed legally (Kenny, 2007; Houllier, 2009). The study is to prove the evidence above and to understand the relationship between the variables that characterize the process of obtaining construction permit and the effect on the performance as whole in construction industry. At the same time, to understand the current base line process of getting the construction permit, in various local government entire country. To meet this goal, a number of local government have been chosen and to analyse.

1.2 Problem Statement

Construction industry players in Malaysia foresee difficulties in the process of issuing construction permits by the local government and external agencies. Some of which are related to local administration and some of them related to legislation and laws. The most common issues are related with human interactions where the interaction between public sectors and private sectors. In construction permit, there many ministries and agencies involve in giving the permit which is in a complex interdependence framework. (Vargas, 2009). In Malaysian context, there are five ministries and nine agencies involved. Each agency plays their roles in the determination on documentation and technical requirement before construction permit can be issued. The current process is not one-piece flow process, it's always return back to the submitting person multiple times.

Doing business 2011 reported, dealing with construction permit, Malaysia at 113 placing compare to 189 countries. In the report stated that to construct a simple double storey warehouse, the submitting person have to manage 25 procedures and 261 days for the whole cycle of construction permits which are pre-construction, during construction and post construction. It shows that a lengthy processes to be managed by the submitting person. (World Bank, 2011).

About 60%–80% of construction projects in developing economies are undertaken without a building permit because the approval process is too complex or oversight too lax. This scenario may happen in Malaysia if the construction permit difficult to obtain within the stipulated time. (World Bank, 2010)

The current process framework need to be improved because it effects the efficiency of the building construction delivery system. If most of building cannot complete on time it might give negative impact to local and foreign investors.

1.3 Research Objective

The problem statement describes earlier shows the current problem situations that need to be improved. The main concern of the study is to understand the delay in construction permit. For these reason, the study is conducted to achieve the following objectives:

1. Appraisal the efficiency of current process flow for the construction permit, numbers of procedures and time taken for each process.
2. Determine critical factors causing construction permit delay.
3. Improved the current process for dealing with construction permit which can create more efficient system.

1.4 Scope of Research

To achieve the objectives, study would be conducted in few stages that are literature review, benchmarking, and validation. Literature review is essential to identify a conceptual process flow in construction permit framework. The conceptual process flow framework would be benchmarked against international best practice. The benchmarked process flow framework was converted into the validation sixteen local government at each capital city in Malaysia. Finally, the framework was validated by focus group experts and practitioner's experts in this area by using World Bank methodology. In summary, the scope of this research involves are:

- a. Literature study involves searching of papers related with research work done. Papers involve with the permit applications related with construction will be highlighted. Findings from other researchers will be compared and analyse quantitatively and qualitatively.

- b. The research will focus on the operation stage in processing construction permit and create baseline for the process flow, procedures and time incurred in every process. In this study, cost and building control index are not being evaluate due to insufficient of data.
- c. Kuala Lumpur City Hall located in national capital city. The World Bank study for easy doing business in Dealing with construction permit has choose Kuala Lumpur City Hall. In year 2012, Kuala Lumpur City Hall introduced OSC 1 Submission for small scale non-residential submission. This will be the base line for reference for the other local governments.
- d. Benchmarking on the case study from overseas local government such as; Singapore, Hong Kong, Taiwan and New Zealand. These countries were ranked at top ten out of one hundred eighty-nine countries in world as mentioned in ease doing business performance report.

1.5 Research Questions

The research questions are: -

1. What is the current method use on implementation of construction permit in Malaysia and how effective it is?
2. What is the numbers of procedure steps and time taken to deal with construction permit in Malaysia?
3. How different is the numbers of procedure in construction permit application from selected countries in comparison to Malaysia?
4. What is the best construction permit practises can be recommended in Malaysia?

1.6 Limitation of Research

Constructions permit involved with various types of development, from small scale of projects to big scale of projects. It involves also from low risk projects to high risk projects. For example, housing projects, the developers may request constructions permit in phases due to the long durations of construction compare to build single building such as warehouses. In the research, the limitation has been determined that to make comparison in term of time taken, it has to adopt one type of developments and complies with petrol station with not more than one acres of land size.

Data for the year 2012 and 2015 has been collected for research purpose. Data sampling has been collected for the construction of single storey Petronas Petrol Station in Peninsular and East Malaysia. These sampling projects are in line with the OSC 1 Submission process flow which been introduced by Kuala Lumpur City Hall year 2015. All these data have been verified by the each local government before the data has been used for research.

1.7 Significance of Research

This research will benefit to the entire construction industry players including the public sector. Current process improvement of delivery in construction permit may give more benefit to the industry players. Construction work can be expedited, more investor will be participated in construction industry and eventually will give the benefit to the government and the public. The benefits are as follows: -

1. Increase the job opportunity and business investment in the country.

Delay in construction permit will cause slump in construction in industry. Buildings such as factory, office building and other commercial building are very important to start any businesses. If the project delay, it may cause delay in recruiting employee and end up with less job opportunity. In the context of this study, if a company face

pressure to expand business rapidly due to the constraints of getting construction permits, they have difficulty in the business growth and as a result increase job security concern in the organization. (Ahmed, A.S., Lobo, G.J. and Zhou, J., 2000)

2. Good regulation system and its efficiency

Enforcing and implementation of good regulatory system significantly impact on the compliance burdens for business, but at the same time it gives better living for the society. Regulation is defined broadly to include all written legal and quasi-legal instruments ranging over primary legislation, secondary instruments, guidelines, circulars, codes, standards and others. There are sound reasons for much regulation. It can reflect and enforce the community's values and rights of individuals. It can reduce risks to people's health and safety (such as through consumer policy), address discrimination (such as an equal opportunity laws) and protect the environment from overuse or degradation. Regulation is also part of the institutional architecture for markets to work efficiently, including by establishing property rights and enforcing contracts.

3. Reduce the construction management burden and cost to the stakeholder.

These stakeholder groups (Developers and Consulting Engineers) will receive better management services which have been designed with the requirements as the core characteristics and enable them to focus more on their construction responsibilities and duties. Some of the issues been highlighted, no proper guideline publishes in the web site or presented to the stake holders.

The applicants have to make assumptions about the requirement in the design where the authorities do not provide the necessary data for design purposes. This complicates the task of the applicants to certain assumptions. As an example, when the design engineer wants submit reticulation system, the operator should show the location of existing water pipes in the website or published so that applicants may have the information about the tapping point before the submission process take place. Unfortunately, this did not happen and the applicants have to assume for the purposes of the application.

In the event of this situation, the regulators reject the applications due to insufficient information in the application. The process will prolong until the right information given for the submission. It might take months to resolved, and because of this burden, it may increase the construction management cost.

Regulatory burdens are the extra requirements, activities and costs that Principal Submitting Person must deliver or bear in order to comply with regulations. The extra requirements usually demand extra efforts, time and cost from the Principal Submitting Person, thus impose costs on and often decrease the productivity of the practitioners.

4. Create efficient local government

Local government will deliver the permit faster and will encouraged construction industry will grow faster. The local government will increase their income by collecting more Assessment Tax with increment number of development.

This study will provide improvements to existing processes as well as management efficiency. This improvement fills the gap between the organization and also project management as a whole. Through this research we can identify the influential factors and the roles of every person involved in the organization team. This study will provide valuable and critical information related to project management.

1.8 Research Methodology

Data collection is very crucial in this study. Proper methodology must be selected before the research can be carried out. The author involved directly in collecting data for Petronas petrol station projects. To development good result for the study, researcher need to have similar project types in different localities. Before the data collected, member of focus group dealing with construction permit members been established. Member of focus group comprises all professional bodies, internal and external agencies representatives, Real Estates and Housing Developers' Association

Malaysia and representative from Malaysia Productivity Corporation. The chairman of focus group is the secretary-general of Ministry of Urban Wellbeing, Housing and Local Government. World Bank methodology been used for data collection. Petronas petrol station project at different Capital cities in Malaysia has been used for the data collection. Focus group organised individual workshop at each locality for data collection. Data been verified by all relevant local government departments and each agency including all the professional members in focus group.

1.9 Summary

This chapter lays the foundation for the study. It first introduces the research background and points to the current situation on construction industry in Malaysia. Improvement of construction permit process at the local government may lead to reduction of delay. Delay in getting construction permit caused signification impact to the construction industry, as the result will create bad reputation to the investor. Consequently, the research problems and objectives are presented. Following this, the research significance is identified before the research scope. Finally, the research approach is briefly discussed and the research schedule been presented.

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