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Message from the Director General

My dear colleagues:

It is a pleasure to present to you the “Asian Council on Contracting & Construction” newsletter for 2016. This publication is a compendium of relevant news, reports, and analyses on recent developments in the contracting and construction business in Asia Pacific countries.

The articles contained in this newsletter show large investment projects throughout the Asia Pacific region. Infrastructure projects in the form of bridges in Brunei, transportation highways and railways from Azerbaijan to Bangladesh and Malaysia, oil and gas plans in Iran, industrial zones financed by Turkey, and many other capital intensive projects are flourishing all over the region. Moreover, the construction boom continues in the Philippines and Indonesia.

Indeed, governments and large private corporations are fueling growth by executing large investment projects, which in turn are spilling into many more medium and small companies, thus sustaining growth and prosperity in each local economy.

We hope that this newsletter helps you understand the importance of contracting and construction in national development and the value CACCI places in promoting construction projects as a powerful generator of employment opportunities.

CACCI would like also to invite all our members to celebrate together the 50 years anniversary of CACCI at the **30th CACCI Conference on November 23-25 in Taipei**.

Besides renowned speakers from academia, business world and government, CACCI is preparing amenities for the families of attendees. Please make your reservation and tell your constituents and colleagues. CACCI will be a great host, along with local organizers, [CIECA](#) (Chinese International Economic Cooperation Association), [CNAIC](#) (Chinese National Association of Industry & Commerce) and [CTBC Bank](#).

In the meantime, enjoy your reading!



Amb. Victor Tseng
Director General
CACCI



Construction disputes are lengthy and costly in Asia

South China Morning Post, Chris Morgan, June 28 2016

Failure to properly administer contracts, errors and omissions in contracts, and poorly drafted claims are the main causes of most disputes



According to the latest research released by international construction consultancy, Arcadis, the average value of Asian construction disputes is US\$67 million, 45% higher than the worldwide average of US\$47 million. Moreover the average time to resolve disputes in Asia in 2015 was 19.5 months, four months longer than the global average.

Why is it then that Asia, a region that has seen phenomenal growth in construction

has for several years held the unenviable position as one of the most costly regions for dispute resolution?

Thanks to the economic slowdown, mainland Chinese contractors are diversifying away from their home markets. Whilst many have shown themselves to be adept at operating in overseas markets they have faced challenges to adapt to business cultures and construction practises of different markets. An unexpected effect of this could be increased competition for work in overseas markets resulting in lower prices, and perhaps an increase in disputes as new entrants become familiar with new ways of working.

The downward trend in the overall value of construction disputes indicates a maturing of the approach to disputes in Asia. For example in Hong Kong the introduction of statutory adjudication, as part of the proposed Security of Payment Legislation, will certainly help to reduce both the cost and time of disputes.

Cost of construction disputes in Asia still above world average

The leading causes of disputes in Asia as reported in Arcadis' research are; failure to properly administer contracts, errors and omissions in contracts, and poorly drafted claims.

All parties must administer and manage their contracts effectively and fairly. Mismanagement leads to disputes over both extension of time and payment. An external, independent certifier can help to ensure that the contract is properly administered, and this could be revisited.

Due to the feverish pace at which construction projects are conceptualised, approved and move into the build phase, there is always time pressure during the preparation of contract documents. Inevitably there will be situations where documents are considered to be misleading or ambiguous. Preparation of document before the design is complete will often cause issues. This reinforces the need for all parties to have adequate time to complete the documentation prior to tender, and for all contracts to be prepared by properly trained staff.

Even when parties take all available steps to ensure that their contracts are well prepared, claims are an inescapable aspect of the construction industry. It is an unfortunate fact that these claims are often poorly prepared, lacking proper legal or contractual support. Moreover they are often submitted with values that are both inflated and not substantiated. This can lead to misunderstandings of the basis of the claim and its proper worth.

Ensuring a positive outcome for all parties and maintaining a good relationship with contractual partners is key to developing long-term professional relationships in the construction industry. Full consideration of the best approach to any claim is therefore highly desirable if misunderstandings are to be avoided, and the claim properly settled.

The report states that globally one in four joint ventures end in dispute and this increases to 41% in Asia. With such an incredibly high figure, this brings a stark warning to all those intending to form a joint venture. Joint ventures are like marriages – it must be expected that there will be different opinions from time to time. Crucially every joint venture agreement should be fully considered, including very practical and proactive approaches to any differences of opinion, and means of readily and cheaply resolving disputes, so that the contract is not impacted.

The three most commonly used methods of resolving disputes in Asia have been identified as party to party negotiation, arbitration, and mediation. However, all parties in disputes should seriously consider mediation first before embarking on arbitration.

It is worth noting that adjudication does not currently appear in the list of dispute resolution methods favoured in Asia. However, following the introduction of the Security of Payment Legislation (SOPL) in Hong Kong, which will make adjudication a compulsory first step in the resolution of most disputes, it will likely top the list in the future.

Adjudication will enable a binding decision to be speedily provided, unless overturned in a subsequent arbitration, and payment to be received at an early date rather than suffering the lengthy delays for additional payment which are commonplace in the industry at present.

Chris Morgan is executive director of The Contracts Group, specialist consultants in managing contracts and the avoidance and resolution of disputes.

<http://www.scmp.com/property/article/1982260/construction-disputes-are-lengthy-and-costly-battles-asia>

Azerbaijan-Iran mull 3 options for new railway financing

Iran Daily, June 13 2016



Azerbaijan and Iran are considering three options for financing the construction of the Rasht-Astara railway section of the North-South transport corridor which is to connect northern Europe to Southeast Asia, said an Azerbaijani official.

Head of Azerbaijan Railways CJSC Javid Gurbanov further told ANS TV channel that the construction of the Rasht-Astara railway section is worth nearly \$900 million, according to estimates by the Iranian side,

reported Trend News Agency.

He added that the Azerbaijani side has yet to conduct studies on these calculations. "We have asked Iran to provide us documents on the project, and we will submit it to the ministries of finance, economy and emergency situations of Azerbaijan," Gurbanov said.

"An evaluation will be conducted, and its results will be presented to the president of Azerbaijan. The Azerbaijani side expressed its readiness to provide financial support to Iran in the construction of this section."

He noted, "Iran's President Hassan Rouhani is to visit Azerbaijan on August 8-10, and until that time, we will try to prepare the necessary documents and protocols to provide financial assistance regarding this section, and these protocols will be signed between the two countries once the president of Azerbaijan approves them."

"It will depend on the conditions of the agreement whether the sources of financing will be in the form of a loan [which will be provided by Azerbaijan] to Iran, whether Iran will attract a foreign loan or it will be a loan attracted within the country."

"Iran wants the companies of the two countries to work together and on equal rights. However, there are options of working within a joint venture or holding an international tender."

The Qazvin-Rasht-Astara railway, a part of the North-South transport corridor, will connect the railway networks of Iran, Azerbaijan and Russia.

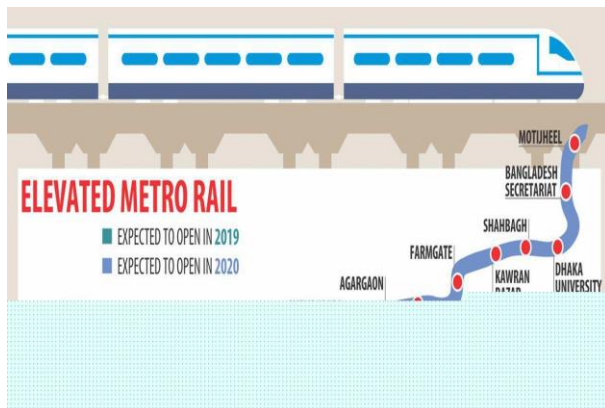
Initially, three to five million tons of cargos per year will be transported via the corridor, and this figure will increase to 10-12 million tons in the future, according to preliminary estimates.

<http://www.iran-daily.com/News/153145.html>

Bangladesh PM inaugurates metro rail construction

The Daily Star, June 26 2016

Prime Minister Sheikh Hasina inaugurated construction work for the first metro rail service in Dhaka. The prime minister inaugurated the construction work from Bangabandhu International Conference Centre in the capital.



Dhaka Mass Rapid Transit Development Project, official name of the metro rail scheme, stretches from Uttara to Motijheel. The Tk 22,000 crore (\$2.5 billion) ambitious metro rail project has been taken with an aim to open half of the 20km metro line by the end of 2019.

Through the inauguration of the construction work, a formal commencement of ground development for a depot began today. The depot is the foremost

component to be in place for building the metro rail service system, as metro trains will be launched on the elevated lines from the depot.

The entire metro rail route will be elevated and all 16 stations will be elevated as well. Only the depot will be on the ground. A Japanese firm Tokyo Construction Ltd is carrying out the depot land development work.

With every metro rail train comprising six air-conditioned spacious cars, a city commuter will travel between Motijheel and north Uttara in 37 minutes and there will be a train every four minutes at each of the 16 stations on the way in both directions, Md Mofazzel Hossain, project director of Dhaka Mass Rapid Transit Development Project, said earlier.

Currently, city commuters spend several hours to travel from Uttara to Motijheel in snail-pace traffic.



A total of 24 trains will together transfer 60,000 passengers every hour on both directions.

The metro rail would be noise-free, with noise barriers and vibration-free lines, and the cars would be made of stainless steel and aluminium alloy, he said.

The metro will save Bangladesh an annual economic loss of Tk 200 billion equivalent

to 1.5% of the country's gross domestic production, according to a former JICA country representative in Bangladesh.

The entire project is being implemented under eight separate contracts, including four for building the 20km elevated overpass.

The 16 stations would be in north Uttara, Pallabi, Mirpur, Kazipara, Sheorapara, Agargaon, Rokeya Sarani, Bijoy Sarani, Farmgate, Karwan Bazar, Shahbagh, Dhaka University, Bangladesh Secretariat and Motijheel.

<http://www.thedailystar.net/city/pm-inaugurates-construction-metro-rail-1245916>

Bridge construction over Brunei River progresses rapidly

Borneo Bulletin, Achong Tanjong, May 21 2016

The construction of the link bridge across Brunei River from Kampong Sungai Kebun to Jalan Residency in Kampong Kota Batu in the Brunei-Muara District is now rapidly in progress and once completed, will mark another historic milestone for the nation.



The construction of the link bridge across Brunei River in rapid progress. – ACHONG TANJONG

The linking bridge will be the main route to the capital, Bandar Seri Begawan for commuters in Mukim Lumapas and vice versa. The project aims to erase traffic congestion by commuters in Mukim Lumapas.

According to the Department of Roads of Public Works Department, more than 18,000 vehicles come out of Mukim Lumapas daily and its surrounding areas using Jalan Bengkurong-Masin and Jalan Tutong on their way to main town areas, either sending children to school or go to work.

That figure is expected to increase. With the establishment and expansion of the National Housing Scheme at Mukim Lumapas as well as other economic developments in the areas, the traffic congestion situation is getting serious.

It is also estimated that over 9,000 vehicles is expected to use the access way leading to the bridge when it is completed, and thus reducing traffic congestion in Jalan Tutong and Jalan Bengkurong-Masin.

<http://borneobulletin.com.bn/construction-of-bridge-across-brunei-river-progressing-rapidly/>

Indonesian construction business still has good prospects

The Jakarta Post, May 4 2016

Despite the weak growth of the construction industry in the first quarter of this year, the government's infrastructure projects still have good prospects over the next few years, an expert says.

"Government-related construction including reservoirs, airports, seaports and highways will still have good prospects at least until the end of 2018 as the projects have been specified and the budget has been allocated," Institute for Development of Economics and Finance (INDEF) senior researcher Iman Sugema said.

The Central Statistics Agency (BPS) reported on Wednesday that the Business Tendency Index (ITB), an indicator of optimism in the economy, fell to 99.46 in March, compared to 105.22 in the fourth quarter last year. It could have happened because there was a simultaneous drop in various business aspects such as revenues, production capacity utilization and average working hours, according to the BPS.

"It is different with private infrastructure projects because it is related to the country's economic growth. Infrastructure construction is all about asset accumulation, which can only be reached if the companies have savings to invest," said Iman.

Indonesia's economy only expanded by 4.92% year-on-year (yoy) in the first quarter of this year, lower than 5.04% in the previous quarter, the BPS added.

The House of Representatives is expecting the construction services bill, a revision of the existing 1999 Construction Law, to be passed into law in May, five months after the

launch of the ASEAN Economic Community (AEC), which is expected to create an integrated market for capital, labor, goods and services within Southeast Asia.



Motorists pass along a road below the first phase of the Depok-Antasari toll road in Pondok Labu, South Jakarta, on April 1 (ANTARA FOTO/Indrianto Eko Suwarso)

An article in the bill stipulates that foreign companies or businesspeople intending to carry out construction work in the country will be obliged to set up a representative office in Indonesia or a joint company with a local construction firm.

<http://www.thejakartapost.com/news/2016/05/04/construction-business-still-has-good-prospects-expert.html>

Iran-Kazakhstan to build joint oil refinery

Azernews, June 27 2016



Director General for Mazandaran provincial Organization of Industry, Mine and Trade Mohammad Mohammad Pour Omran said that Iran and Kazakhstan planned to build a joint venture oil refinery in Amirabad Port, IRNA reported.

He made the remarks in a joint economic meeting between Kazakhstan delegation and Mazandaran trade delegation in Sari Chamber of Commerce.

Pour Omran said that the refinery is to refine Kazakhstan oil and then export to other countries.

He said that oil swap is another proposal for bilateral cooperation. Pour Omran said that north oil terminal in Neka city is ready for doing oil swap with Central Asian countries, Russia and Kazakhstan.

He said that the Islamic Republic of Iran is ready to purchase crude oil from Kazakhstan to develop cooperation between Mazandaran province and Kazakhstan on oil trade.

Trade stood around one billion dollars last year from which 900 million dollars were import from Kazakhstan and 100 million dollars export to Kazakhstan.

<http://www.azernews.az/region/98543.html>

MTN Group to invest in Iranian infrastructure

Tehran Times, April 24 2016

TEHRAN - The multinational mobile communication MTN Group intends to make investments in some infrastructure projects, including IPTV services and fiber optic, in Iran, the Tasnim news agency reported.



The South African group entered the Islamic Republic about eleven years ago to cooperate in a project with Irancell Telecommunication Services Company (MTN Irancell), 2nd mobile operator in Iran.

Possessing 49% of stakes of Irancell, the company could manage to become the commercial partner of Iran Electronic Development Company.

MTN Group, formerly M-Cell, is a South Africa-based multinational mobile telecommunications company, operating in many African, European and Asian countries. It offers an integrated suite of communications products and services to customers, including traditional and mobile voice and data, digital and mobile financial services as well as enterprise services to SME, public sector and corporate clients.

<http://www.tehrantimes.com/news/300833/MTN-Group-to-invest-in-infrastructure-projects-in-Iran>

Siemens to finance major Iranian power plant

Iran Daily, June 8 2016



Iran and the German equipment manufacturer, Siemens reached an agreement to build a big new power plant in northern Tehran.

The agreement followed negotiations during visits by an Iranian economic delegation to Poland, Finland, Sweden and Latvia, said a member of Andoukhteh Shahed Institute's Board of Directors Mohammadreza Ayatollahi, Fars News Agency reported.

Ayatollahi said that an estimated €330 million to €350 million will be required to build the first phase of Jalal power plant.

Following the nuclear deal between Tehran and the world powers, Germany and other European companies have voiced interest in operating in Iran.

In March, the Iranian industrial group MAPNA and the German Siemens signed a contract worth \$3.5 billion, a trade official announced.

Deputy Head of Iran's Chamber of Commerce Pedram Soltani said several German companies have shown interest in cooperation and investment in Iran.

<http://www.iran-daily.com/News/152864.html>

Japan to issue construction bonds for first time in 4 years: Nikkei

The Strait Times, Reuters, July 11 2016

TOKYO - Japan's government will issue construction bonds for the first time in four years to fund stimulus spending after Prime Minister Shinzo Abe's coalition cruised to a comfortable election victory, the Nikkei newspaper said without citing sources. Construction bonds are debt whose proceeds are set aside specifically for public works spending. Up to \$34b worth of construction contracts expected in 2016, with highest share of demand from public sector in 14 years

<http://www.straitstimes.com/business/economy/japan-to-issue-construction-bonds-for-first-time-in-4-years-nikkei>

Malaysia's High-Speed Rail project MoU in July, said Najib

The Sun Daily, May 17 2016

LONDON - Prime Minister Datuk Seri Najib Abdul Razak said a memorandum of understanding (MoU), to facilitate the High-Speed Rail (HSR) project, was expected to be signed last July by Malaysia and Singapore.

He said the project aroused excitement worldwide as it would cut travelling time from Singapore to Kuala Lumpur to about 90 minutes.

Najib also referred to the many infrastructure projects that were earmarked for implementation by the private sector, including the Pan-Borneo Highway, in a move to boost the economy.

The proposed 350km HSR line will begin in Bandar Malaysia and end at Jurong East in Singapore, reducing the current rail journey of eight hours.

It was reported that construction work on the HSR was scheduled to begin in 2017 and completed by 2022.

Meanwhile, at another event, Najib said the Malaysian government keenly supports the private sector in promoting Malaysian brands internationally.

He said projects such as the regeneration of the Battersea power station and now, EcoWorld's venture in London, would all contribute to the government's plan to raise Malaysia to the status of a high income nation in several years.

"It shows that Malaysians can be world leaders and world beaters, wherever they are building, working, trading, teaching, or participating in whatever way in local societies and economies," he said.

Najib who was on a working visit to the UK, said this in his speech at the topping-up ceremony of the Legacy 1 project at Embassy Gardens on Monday to the drumbeat of the Eco World Symphony Drummers.

Legacy 1 is a project by Malaysian property developer Eco World International.

At the event, Najib was welcomed by the chairman of Eco World Ballymore Holdings Company Tan Sri Liew Kee Sin, chairman of Eco World Management & Advisory Services (UK) Lord Jonathan Marland and managing director of Ballymore UK, John Mulryan.

EcoWorld is partnering the Ballymore Group to develop three prime waterfront sites in London.

Najib commended the joint-venture as it had also commenced work on two other projects, namely London City island on the Leamouth Peninsula in East London and Warden London, despite being slightly more than a year old.

"The regeneration of the Battersea Power Station by a Malaysian consortium has been a real flag bearer for our country — London will gain a 'Malaysia Square'.

"I believe that EcoWorld's presence in the capital will reinforce the message that Malaysia believes in London," he added.

EcoWorld, via subsidiary Eco World Investment, had in April last year acquired a 75% interest in three waterside development sites in London with a gross development value (GDV) of around £2 billion (RM11.64 billion) and comprising over 2,700 residential units and 250,000ft² of commercial, leisure and office space.

The three schemes are the Embassy Gardens Phase 2 in the Battersea Nine Elms regeneration area, London City Island Phase 2 in Canning Town, East London and Warden London in Canary Wharf.

Irish developers Ballymore Group owns the other 25% of the three sites via a joint venture company, Eco World-Ballymore Holding Company Ltd.

<http://www.thesundaily.my/news/1805481>

Malaysian government awards 3 works packages for MRT Sungai Buloh-Serdang-Putrajaya line

New Straits Times Online, Sharen Kaur, July 4 2016

KUALA LUMPUR - Mass Rapid Transit Corp Sdn Bhd (MRT Corp) has awarded three work package contracts worth RM1.38 billion for the construction of the MRT Sungai Buloh-Serdang-Putrajaya (SSP) Line. The awards, which include two system work packages and one advance work package, were made following a One-Stop Procurement Committee Meeting (OSPC) chaired by Prime Minister Datuk Sri Najib Razak.

System work package SY205 for the engineering, procurement, construction, testing and commissioning of power supply and distribution system for the SSP Line was awarded to Colas Rail Consortium. MRT Corp, in a statement, said the contract is worth RM693.03 million. The second system work package was package SY206 for the engineering, procurement, construction, testing and commissioning of communications, government integrated radio network, commercial telecom (Infra) and information technology system for the SSP Line.

The contract worth RM632 million was awarded to Bumiputera-led consortium Sapura – EVD Consortium. SN Akmidia Holdings Sdn Bhd won a RM59.5 million contract for advance work package for the construction and completion of Sungai Besi police quarters and other associated works. 729 reads Mass Rapid Transit Corp Sdn Bhd (MRT Corp) has awarded three work package contracts worth RM1.38 billion for the construction of the MRT Sungai Buloh-Serdang-Putrajaya (SSP) Line. (File

<http://www.nst.com.my/news/2016/07/156694/mrt-corp-awards-three-works-packages-mrt-sungai-buloh-serdang-putrajaya-project>

‘Overweight’ on Malaysian construction sector

The Sun Daily, 23 June 2016

PETALING JAYA - AmlInvestment Bank Bhd has maintained its “overweight” rating on the construction sector, as it believes the new infrastructure awards and tenders will continue to drive the sector in the second half of the year.

“We believe infrastructure awards will dominate in the second half, driven by packages for Klang Valley Mass Rapid Transit Line 2 (KVMRT2), Light Rail Transit Line 3 (LRT3), Pan Borneo Highway, Sungai Besi-Ulu Kelang Elevated Expressway and Damansara-Shah Alam Elevated Expressway,” its analyst Max Koh said.

The research house reiterated its “buy” call for Gamuda, IJM Corp, Econpile Holdings, Ikhmas Jaya Group, Hock Seng Lee, KKB Engineering, Kimlun Corp, and Sarawak Cable and “hold” recommendation for WCT.

To date, AmlInvestment estimates that Mass Rapid Transit Corp Sdn Bhd has awarded RM22 billion worth of major KVMRT2 packages, from the total value of RM32 billion.

Koh said major packages awarded include the underground works worth RM15 billion to the MMC-Gamuda joint venture, four viaduct packages, three system packages and four main packages for Pan Borneo.

In the first quarter of 2016, Koh said, the construction awards fell 66% year-over-year to RM11.9 billion, where March recorded the lowest in terms of number of projects and value.

Nevertheless, he said, the research house foresees a strong rebound as major awards were dished out in the later part of the first half of 2016.

In addition, Koh said he believes that the awards for the RM9 billion LRT3 project will come in earnest in the second half, following the completion of the prequalification stage with 96 out of 124 applicants making the cut.

He also said that apart from the familiar big boys, the research house sees the potential beneficiaries for the KVMRT2 jobs to include Kimlun (for SBG supply), Econpile and Ikhmas Jaya for piling works.

“We continue to like specialist contractors such as Kimlun, Econpile and Ikhmas Jaya to secure specialised contracts in the second half. Sarawak Cable is also a niche player that will benefit from power transmission line projects in Sarawak and Peninsular Malaysia,” Koh said.

<http://www.thesundaily.my/news/1847942>

Mongolia's Development Bank CEO speaks about road financing

The UB Post, Zasgiin Gazriin Medee, April 24 2016 - Translation by B. Dulguun

Meat is supplied to the capital from three eastern provinces of Mongolia. It used to take two months for three hired shepherds to collect 600 sheep from eastern provinces and bring them to Ulaanbaatar. It's reported that the total cost of transportation amounted to 20 million MNT within the span of two months.

Now, it's become possible to transport 600 sheep to the capital within a day by truck thanks to a new road connecting Ulaanbaatar with Sukhbaatar, Dornod and Khentii Provinces. The total expense has dropped to four million MNT, according to a company that exports canned meat to Russia.



CEO of the Development Bank of Mongolia N.Munkhbat gave an interview about the economic benefits of new roads.

How much was invested for constructing roads connecting Ulaanbaatar and eastern provinces? Many people complain that investments are recovered for a long time and that the majority of bond investments were spent on road constructions. Can you comment on this?

During the four years since the establishment of the Development Bank, our bank has been actively financing development projects. The total amount of financing has exceeded five trillion MNT.

The Development Bank primarily invests in three directions. One of them is hard infrastructure. Around 1.4 trillion MNT has been spent on road projects, street projects, and Ulaanbaatar's engineering infrastructure, networks and cable lines. Hard infrastructure is unique because it isn't a business activity but an economic benefit. This

type of investment takes 28% of the total portfolio. The remaining 72% is spent on financing projects of government and non-government organizations that will give off profit to some extent. The private sector's projects are financed through commerce banks.

Our bank is also investing in large projects for the Third and Fourth Thermal Power Plants, Amgalan Thermal Power Plant, three cement and metallurgical plants, MIAT Mongolian Airlines' Boeing 767-300ER aircraft, and the Tavan Tolgoi project. It's become clear that engineering infrastructure and Street Project are economically beneficial, but the public is unsure whether road projects are beneficial. The Ministry of Roads and Transportation has researched and made calculations on this. Our bank made estimations using economic calculations of professors of the National University of Mongolia. Overall, the Development Bank is striving to connect all provinces to the capital via asphalt roads.

Ulaanbaatar was connected to five provincial centers with asphalt roads from 1992 to 2012. In the last three years, another six provincial centers got new roads, namely provincial centers of Murun, Dundgovi, Umnugovi, Bayankhongor, Sukhbaatar and Dornod Provinces. The government constructed another road from Saishand soum of Dornogovi Province with a different investment source. Projects have started for constructing roads to western provinces. So in two years' time, we'll become ready to construct roads from Ulaanbaatar to Uvs, Govi-Altai, Zavkhan and Khovd Provinces. Documents and planning have finished. Only Ulgii, the center of Bayan-Ulgii Province, will be left afterwards. Generally, Mongolia will be able to develop a road network linking every part of the country.

These projects will tremendously impact the Mongolian economy both directly and indirectly. We're now linking large regions that weren't connected to the market before. All the road work mentioned before cost 946.7 billion MNT. Over 1.2 trillion MNT has been put down into the state budget and is being issued to contractors after reviewing their performance. This figure is equal to 19% of the total portfolio of five trillion MNT. So 19% of the bond investment was spent on road construction. Yet, the economy of six provinces have been integrated with this amount of money. In addition, half of the work for joining four provincial centers to Ulaanbaatar have been completed.

The total cost for building roads for six provincial centers amounted to 591 billion MNT, but the Development Bank provides this money to companies by reviewing their performance. After receiving funds, companies have to pay tax, including income tax, tax from fuel purchases, and employees' social insurance contributions. 166 billion MNT is returned to the state as tax from the 591 billion MNT companies received as investment. In other words, the six province centers were linked to Ulaanbaatar at the cost of 425 billion MNT. The total length of the roads equal 1,246 kilometers.

What is the actual economic yield of the roads built at the cost of 425 billion MNT?

The Development Bank of Mongolia calculated three direct and indirect benefits of these roads.

In one go, 166 billion MNT is directed into the state budget. Moreover, these roads save time and money. This is the most evident improvement. In the past, people had to drive for two days to reach Bayankhongor Province on difficult roads that damaged their vehicles and tires. Now, it takes six to seven hours. This is rapidly increasing economic circulation.

Secondly, new jobs and businesses are opening along the sides of roads.

Thirdly, the state is receiving more money through tax and fees from these new businesses. These sort of double affects are being considered. The six new roads are giving off economic yields worth approximately 40.2 billion MNT a year.

Indirect yields haven't been accounted yet. Benefit from each road is different. The most profitable road is the one leading to Khuvsgul Province. Estimates show that the annual benefit from this road will be 9.9 billion MNT. On the other hand, the road leading to Dundgovi Province shows the least amount of profit. Even so, the profit from the road to Umnugovi Province amounts to 9.8 billion MNT a year. The total profit from the six new roads amount to around 40.2 billion MNT a year.

These roads are good for 15 years. It will need maintenance for 15 years and a large repair work on the 16th year so that it can be used in the future. The investment of 425 billion MNT for roads will circulate in the economy for 15 years. According to calculations, we will be able to retrieve the total investment and financing for these roads in an average of 10 years and six months.

The time limit for retrieving total investment is different for each road. For example, the total cost of constructing the road to Khuvsgul Province can be recovered in six years. The investment for constructing this road was drawn from Chinggis Bond, which will have to be repaid in 10 years' time, but we're already benefiting from it since the opening of the new road. Simply put, investing in the road sector through Chinggis Bond fund is not only beneficial to the economy but also generates enough yield for repaying the bond money.

<http://ubpost.mongolnews.mn/?p=19443>

High demand for office space fuels Philippine's construction boom

Business Mirror, Bianca Cuaresma, April 25 2016

Just like the country's local output growth, or its GDP, the real-estate sector was projected to continue accelerating at a fast clip, as demand remains robust and supply, mostly from key cities around the country, was not likely to slow down.

This was bared by the research and consultancy firm Oxford Business Group (OBG), which, in an economic news update, said there was little indication that appetite will wane, despite mounting supply in Manila and Cebu.

The OBG assessment cited data from real-estate services provider KMC MAG Group, saying it is seeing record levels of investment on new property developments, as developers rush to meet demand.

"The demand, especially in office and commercial, is just tremendous," it was noted. "End-user demand is so high, and investors are tapping that by building more real estate." OBG said most of the demand for grade-A office space is prompted by the continuously expanding business-process outsourcing (BPO) sector, and the burgeoning financial and insurance sectors.

The favorable economic background, best indicated by steady and strong GDP outcomes, was also seen to provide greater momentum to the real-estate sector.

The continued surge in real-estate development pursuits was made possible by the ready availability of loans in the country, as banks remain awash with cash, according to OBG. However, the rising cost of construction materials, along with easing rental returns, are the near-term risks to the sector's continued expansion and growth.

OBG said rental returns have already fallen in some high-density office districts in the capital, although overall office rents rose by an average of 7% last year, according to a February report released by property firm Colliers International.

The think tanks also said new stock has also increased office vacancy rates in some regions, such as Cebu.

"Rising demand has triggered increases in local materials prices, with the cost of a 40-kilogram bag of cement rising by P6 [\$0.13] in February and P10 [\$0.22] in April to reach to P227 [\$5]. Prices for steel rebar, meanwhile, climbed by 20% between February and early April," OBG also said.

<http://www.businessmirror.com.ph/2016/04/25/high-demand-for-office-space-fuels-phl-construction-boom/>

Philippine's constructions growing over 50% by 2020

The Philippine Star, Richmond Mercurio, May 26 2016



A report by London-based Timetric's Construction Intelligence Center (CIC) showed the Philippine construction industry is seen to grow to \$47 billion by 2020 from \$30.2 billion last year on a compound annual growth rate of 9.22%. File photo

MANILA – Construction activities across the country are expected to remain busy in the next four years, with the local construction industry seen growing more than half by 2020.

A report by London-based Timetric's Construction Intelligence Center (CIC) showed the Philippine construction industry is seen to grow to \$47 billion by 2020 from \$30.2 billion last year on a compound annual growth rate of 9.22%.

According to the report, the rate of construction growth in the Philippines will remain relatively high until 2020, fueled by greater focus on infrastructure improvement and the continued expansion of residential and commercial buildings.

The change in government in the Philippines is not expected to derail the economic growth agenda, and the large-scale infrastructure development program, funded through PPPs, will continue to be promoted, Timetric's CIC lead economist Danny Richards said.

The country's residential market is expected to remain the largest in the Philippine construction industry over the next four years as it would account for 33.9% of the industry's total value in 2020, the report said.

Timetric said the growth in the residential market would be supported by the expansion of the middle-class population, government efforts to urbanize underprivileged rural areas, and housing projects for low-and middle-income groups.

After the residential market, the infrastructure market is seen as the second fastest growing sector in the industry, driven by government plans to develop high-speed rail links, highways, and sea ports through PPPs.

“For example, in 2015, Japan announced that it would provide P89.6 billion for the construction of the first phase of the North&South commuter rail project, one of the country’s major railway development projects. As a result, Timetric expects the infrastructure market to reach \$14.7 billion in 2020, registering a nominal compound annual growth rate of 14.14%,” the report said.

Timetric is a London-based provider of online data, analysis and advisory services on key financial and industry sectors.

<http://www.philstar.com/business/2016/05/26/1586914/philippine-construction-works-seen-growing-over-50-2020>

Construction demand fell short of expectations last year in Singapore

The Strait Times, Wong Siew Ying, January 19 2016

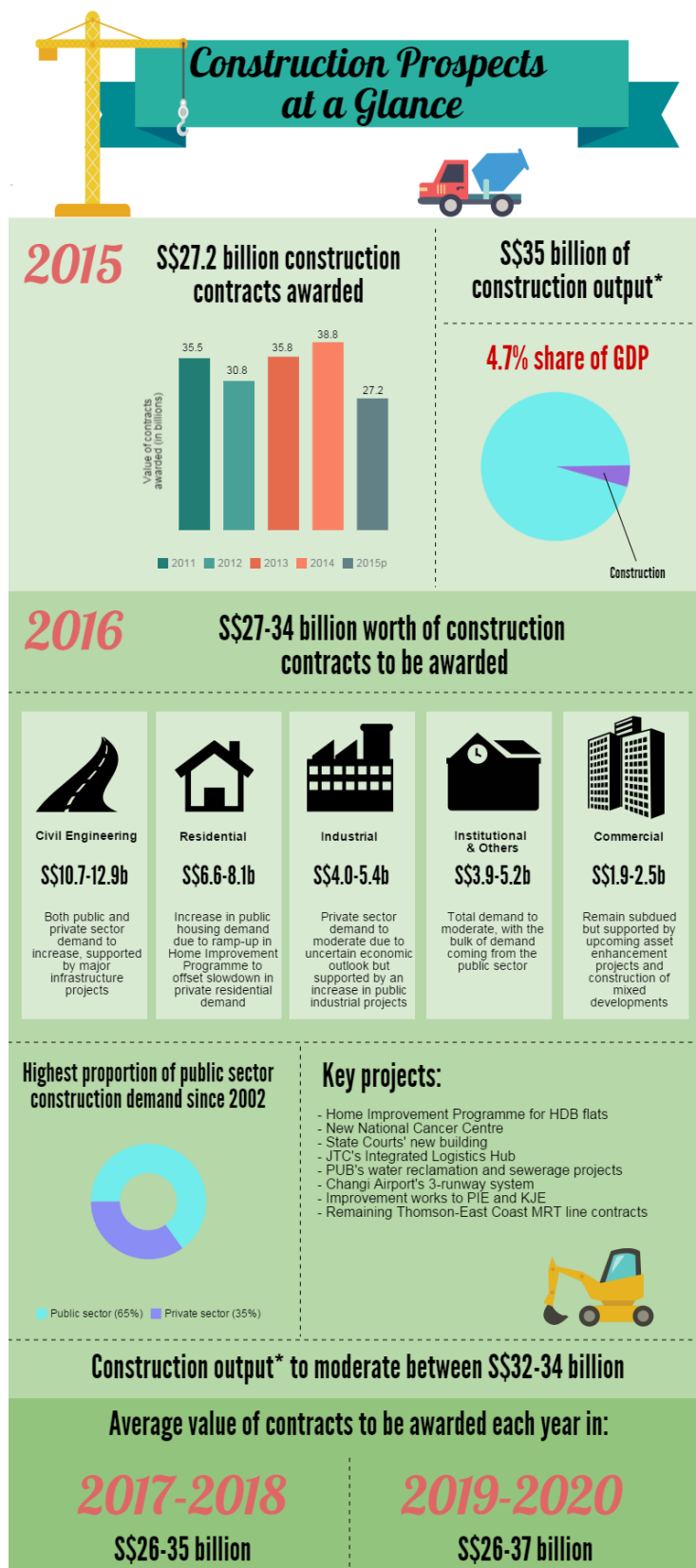
SINGAPORE - Construction demand fell short of expectations last year, but it could improve this year, driven by public sector projects, official estimates show.

The Building and Construction Authority (BCA) said on Friday (Jan 15) that construction demand this year could come in at between \$27 billion and \$34 billion.

Of that, about 65%, or \$18.5 billion to \$21.5 billion, of the construction contracts are expected to come from the public sector.

Projects will include the upgrading works from the Home Improvement Programme for HDB flats, the new National Cancer Centre, State Courts' new building at Havelock Square, JTC's Integrated Logistics Hub, PUB's water reclamation and sewerage projects, Changi Airport's 3-runway system, improvement works to the Kranji Expressway and Pan-Island Expressway, and the remaining contracts for the Thomson-East Coast MRT line.

If the estimates for 2016 are met, BCA said this would be the highest proportion of construction demand from the public sector since 2002.



* Construction output is measured in terms of certified progress payments for work done

Source: BCA

Demand from the private sector, however, will likely slow down due to "less favourable economic conditions and an increased supply of completed private housing projects and offices", BCA said.

Last year, contracts for buildings and other infrastructure projects amounted to about \$27.2 billion, lower than initial projection of \$29 billion to \$36 billion.

BCA added that this was due to the rescheduling of "a few major public infrastructure contracts such as MRT projects, from the fourth quarter last year to early this year".

Slightly more than half of the construction contracts last year were awarded by the public sector, at \$14 billion, while \$13.2 billion were private sector deals.

BCA said total construction output or progress payments made for the work done last year remained high at about \$35 billion, on account of strong construction demand in the preceding two years.

This contributed to about 4.7% of Singapore's gross domestic product (GDP) in 2015, it added.

The total construction output this year is expected to decline to between \$32 billion and \$34 billion, partly due to the lower construction demand in 2015.

For 2017 and 2018, BCA expects average construction demand to

be sustained at between \$26 billion and \$35 billion, and \$26 billion to \$37 billion in 2019 and 2020.

BCA estimates that the public sector will account for between \$16 billion and \$20 billion of construction demand per year from 2017 to 2020.

Of these, 60% of the demand will come from building projects and the rest from civil engineering works.

BCA added that civil engineering construction demand is likely to remain strong beyond 2016, owing to major projects, including the construction of new MRT lines, the North-South Expressway, associated infrastructure works for Changi Airport Terminal 5 and phase two of the Deep Tunnel Sewerage System.

<http://www.straitstimes.com/business/economy/up-to-34b-worth-of-construction-contracts-expected-in-2016-with-highest-share-of>

Turkey to construct industrial zone in Iran

Azernews, Fatma Babayeva, June 17 2016



Turkey will build an industrial zone in Iran in accordance with the MoU signed between Istanbul Chamber of Commerce and Iran Chamber of Commerce, Industries, Mines and Agriculture (ICCIMA).

The Turkish side is ready to facilitate the presence of Turkish investors in Iran, said Mohsen Jalalpour, Head of ICCIMA on the sidelines of the signing ceremony, Mehr news agency reported.

The initial investment for the industrial zone will amount to \$10 billion, he said, adding that the Turkish investment will be

accompanied by technology transfer.

Iran has proposed seven locations to Turkey, according to Ali Yazdani, Iranian Deputy Minister of Industry, Mine and Trade. The Turkish side will visit these sites in the near future and develop the design and infrastructure of the industrial zone.

Currently, there are seven free trade-industrial zones and many special economic zones in Iran, which act as a tool to attract foreign direct investment and promote non-oil

exports of the country. These zones enjoy custom and tax exemptions over inflow and outflow of goods and commodities and many other privileges.

Yazdani emphasized that the envisaged industrial zone will be active in various fields including industry, textile and food products.

The realization of the project on industrial park will serve to enhance economic cooperation between Iran and Turkey.

The two countries enjoy very close trade and economic relations. In 2012, the trade between them amounted to \$21.9 billion. Nevertheless, due to the western sanctions, this figure fell below 10 billion in 2015.

Now, banking and financial transactions have become much easier as most of the sanctions against Iran were softened.

Turkish officials recently announced that Turkey plans to triple trade with Iran to \$30 billion in the coming years.

<http://www.azernews.az/region/98146.html>

What's the future for Vietnam's construction industry?

Vietnam.net, July 11 2016

It is the right time for Vietnam's construction conglomerates to think of developing the international market, or they may lose the home market in the future because of outdated technology, lack of management skills and brain drain.



Until three years ago, foreign contractors nearly covered all the large and valuable construction works, from houses to hotels and trade complexes in large cities in Vietnam, especially works developed by foreigners or professional real estate developers.

There was nearly no opportunity for Vietnamese enterprises to become the EPC contractor (engineering, procurement, construction) of the projects.

However, things are getting different. More and more Vietnamese names such as Coteccons and Hoa Binh Corp have appeared in the market. They joined the bids to become the EPC contractors in large projects. This means that Vietnamese construction companies have the capability to compete equally with foreign contractors.

Coteccons won over foreign contractors to become the main contractor in a series of large projects namely The Landmark 81, Ho Tram Strip in Ba Ria-Vung Tay province, Goldmark City and Diamond Island.

Meanwhile, Hoa Binh Corp has been chosen as the EPC contractor of Cocobay, a tourism & recreation complex in Da Nang City with huge investment capital of VND11 trillion.

However, though the domestic market is still large with a lot of projects on multi-story buildings, trade complexes and hotels for exploitation, Le Viet Hai, president of Hoa Binh Corp, said that it is the right time for Vietnamese enterprises to think of expanding their business into the international market, or they would lose the domestic market in the future.

Vietnamese workers are recognized as industrious and clever with their hands, which are the biggest advantages of Vietnamese enterprises. This also explains why South Korean and Japanese contractors invite many Vietnamese to work for their construction works overseas.

Citing an official report which says that Vietnam has 9,000 engineers in the construction sector, which is three times higher than the world's average level, he said the domestic market would become saturated one day.

<http://english.vietnamnet.vn/fms/business/159931/what-s-the-future-for-vietnam-s-construction-industry-.html>