



Persatuan Pengguna Pulau Pinang Consumers Association of Penang

檳城消費人協會 பிளாங்கு பயனீட்டாளர் சங்கம்

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Press Statement

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Govt should stop exempting developers from GCC deposit

We call on the Housing and Local Government Minister not to grant exemption to developers who are considered by the Ministry's officials as having "good track record" and "sufficient financial capabilities". This discretionary power would open the door to corruption, favouritism, and influence peddling.

In the first place, a developer who has no "good track record" and "financial capabilities" should not be licensed by the Ministry and be in business.

A developer is required to deposit 3 per cent of the Gross Construction Cost (GCC) into the Housing Development Account (HDA) for each phase of the product development. However, it was raised in the Dewan Rakyat in early December that selected developers from paying the requisite 3 per cent the GCC deposit.

Housing and Local Government Minister Zuraida Kamaruddin in clarifying the Dewan Rakyat statement given by her Deputy, Datuk Raja Kamarul Bahrin Shah, said that the exemption is only given to developers with a good track record and "sufficient financial capabilities". The Ministry will then take "10 percent of that (GCC) to put in the Advertising Permit and Developer's License (APDL) fund".

It was highlighted in the Dewan Rakyat in early December, 21 exemptions were granted in 2016; 72 in 2017; and 48 in 2018. Forty-three exemptions were given between January and November in 2019.

The purpose of imposing a deposit of 3% of the GCC on developers is to ensure that they complete the project in time and the homes are of acceptable quality.

Between 2011 and 2019, a total of 107 projects had been abandoned and till March 2019, none of the developers had been charged for abandoning a project.

By granting the exemption, the government is expressing its trust that the developers will religiously stick to their end of their bargain in completing their projects within the given time-frame, of the expected quality and will not short-change the buyers. The government should not take this risk as when a developer fails to deliver, it would mean that the government has to bail out the project and to find a white knight.

We seriously urge the government to stop granting exemptions to any developer.

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