

INTRODUCTION

The REA is one of the few engineering Acts that registers companies and firms. There are two sections: Section 7A which registers Single Disciplinary Practice (SDP) and Section 7B which registers Multi Disciplinary Practice (MDP). Section 7A of the REA covers three types of firms, sole proprietorship, partnership and body corporate. Section 7B covers engineering firms providing a combination of architectural or quantity surveying services. All firms registered under the Board are known as Engineering Consultancy Practice (ECP).

REQUIREMENTS

The major amendments in Section 7A and 7B are in the composition of the Board of Directors and equity in a body corporate. These major amendments are a result of Government's policies on liberalisation. Section 7A (3) is amended to:

"Section 7A(3) The Board shall register a sole proprietorship, partnership or body corporate as an Engineering consultancy practice, subject to such conditions and restrictions as it may deem fit to impose, if -

- a. in the case of the sole proprietorship, the sole proprietor is a Professional Engineer with Practising Certificate:
- b. in the case of the partnership. all the partners are Professional Engineers with Practising Certificates: or
- c. in the case of the body corporate,
 - i. it has a board of directors who shall be subject to such conditions and qualifications as may be prescribed by the Board;
 - ii. its shareholdings shall be as may be prescribed by the Board:
 - iii. it has a minimum paid-up capital which shall be of an amount to be prescribed by the Board; and
 - iv. the day-to-day affairs of the body corporate shall be under the control and management of a person who -
 - I. is a Professional Engineer with Practising Certificate; and
 - II. is authorized under a resolution of the board of directors of the body corporate to make all final engineering decisions on behalf of the body corporate in respect of the requirements under this Act or any other law relating to the supply of professional engineering services by the body corporate."

It should be noted that the composition of the Board of Directors, shareholdings and minimum paidup capital are to be prescribed by the Board in the Regulations under Section 26 of the REA. Section 7A(3)(iv) also requires all body corporate to name a person who is in charge of the firm as the composition of the Board of Directors may also include non-engineers. This ensures that the management of the firm is still under control of the Professional Engineer. The registration of firms is illustrated in Figure 1.

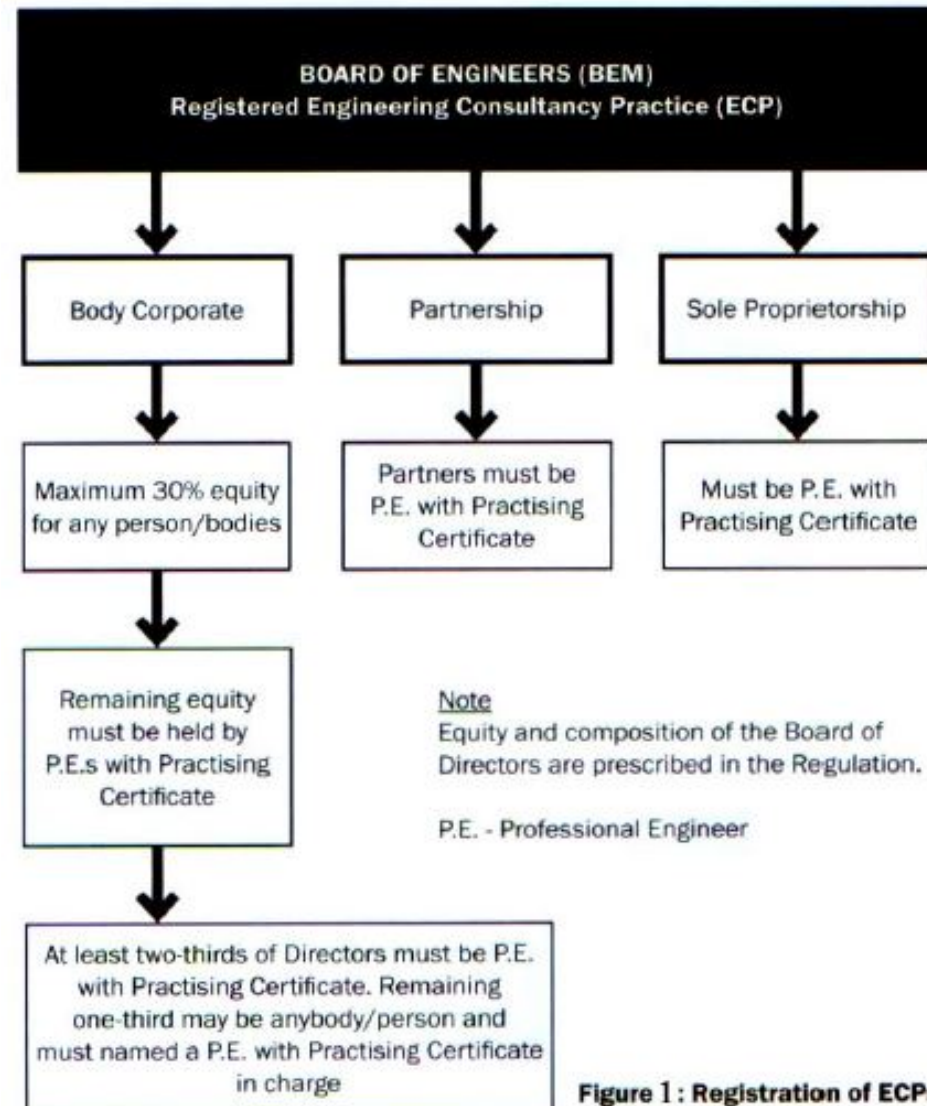


Figure 1 : Registration of ECPs

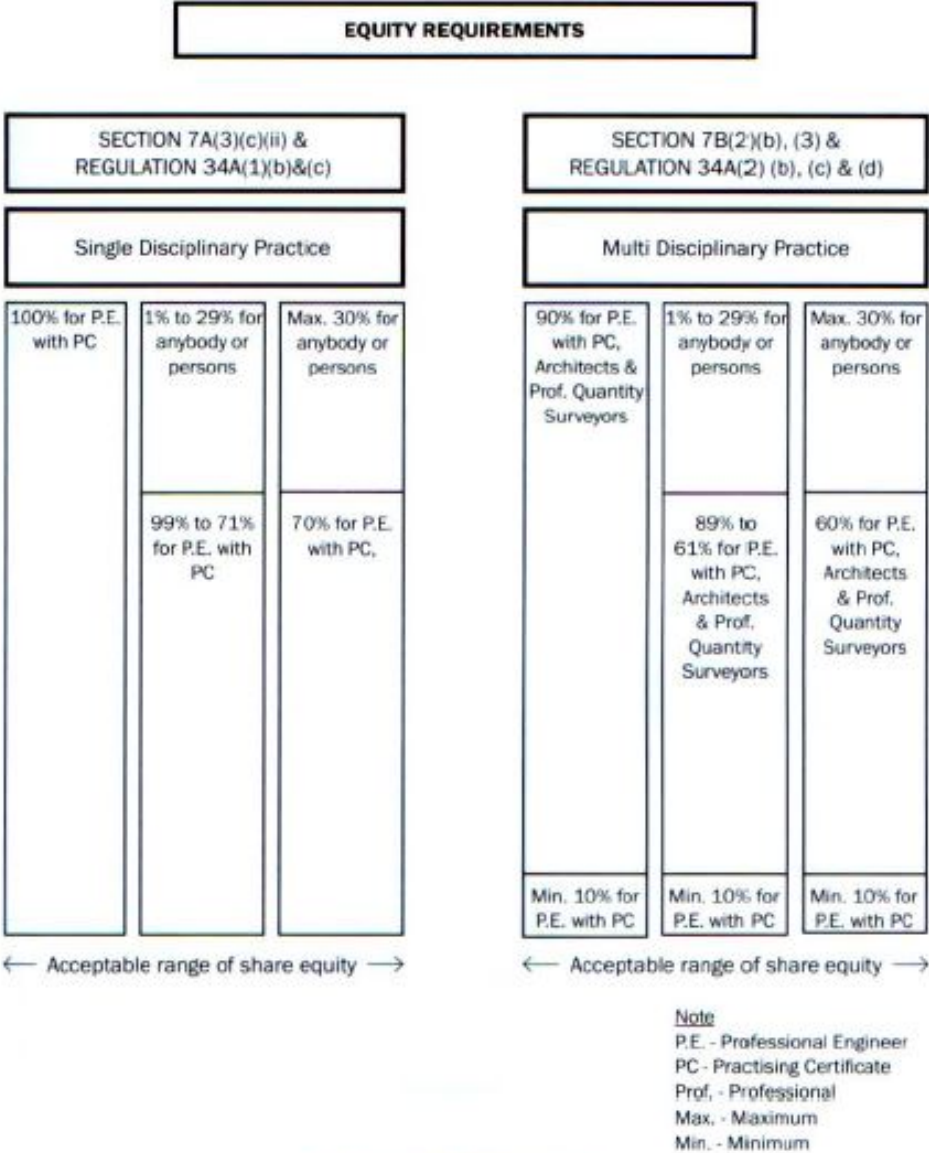
Section 7B has similarly been amended for multi-disciplinary services. The existing provisions in Section 7B already allow any person or bodies to have equity to a maximum of 30%. However the dispersion of the equity is somewhat complicated and has been simplified.

The Regulations have been amended to reflect the amendments to the REA. To comply with the amendments of Section 7A (Single Disciplinary Practice) and 7B (Multi Disciplinary Practice) of the REA; new regulations, Regulation 34A Paid up capital and Equity and 34B Composition of the Board of Directors have been inserted as follows;

"Regulation 34A Paid up capital and Equity

1. A body corporate registered as an Engineering consultancy practice under section 7A of the Act shall have -
 - a. a minimum paid up capital of fifty thousand ringgit;
 - b. at least seventy percent of its share equity held by Professional Engineers with Practicing Certificate: and
 - c. the remaining share equity may be held by -
 - i. any person; or
 - ii. any body corporate; or
 - iii. any person and body corporate.
2. A body corporate registered under Section 7B of the Act shall have
 - a. a minimum paid up capital of one hundred and fifty thousand;
 - b. at least sixty percent of its share equity held by Professional Engineers with Practising Certificate with combination of service comprising Architects or Professional Quantity Surveyors:
 - c. minimum share of ten percent shall be held by the Professional Engineers with Practising Certificate; and
 - d. the remaining share equity may be held by -
 - i. any person; or
 - ii. any body corporate; or
 - iii. any person and body corporate."

Regulation 34A is illustrated in Figure 2.



And

"Regulation 34B Composition of Board of Directors

1. A body corporate registered as an Engineering consultancy practice under Section 7A of the Act shall have -
 - a. a Board of Directors where at least two third of its members are Professional Engineers with Practising Certificate;
 - b. the remaining members of the Board of Directors may be any persons; and
 - c. one of the Board of Director shall be the person named under paragraph 7A(3)(iv) of the Act
2. A body corporate registered under Section 7B of the Act shall have -
 - a. a Board of Directors where at least two third of its members are Professional Engineers with Practising Certificate with combination of service comprising Architects or Professional Quantity Surveyors;
 - b. the remaining members of the Board of Directors may be any persons; and
 - c. one of the Board of Director shall be the person named under paragraph 7B(2)(d) of the Act."

Regulation 34B is illustrated in Figure 3.

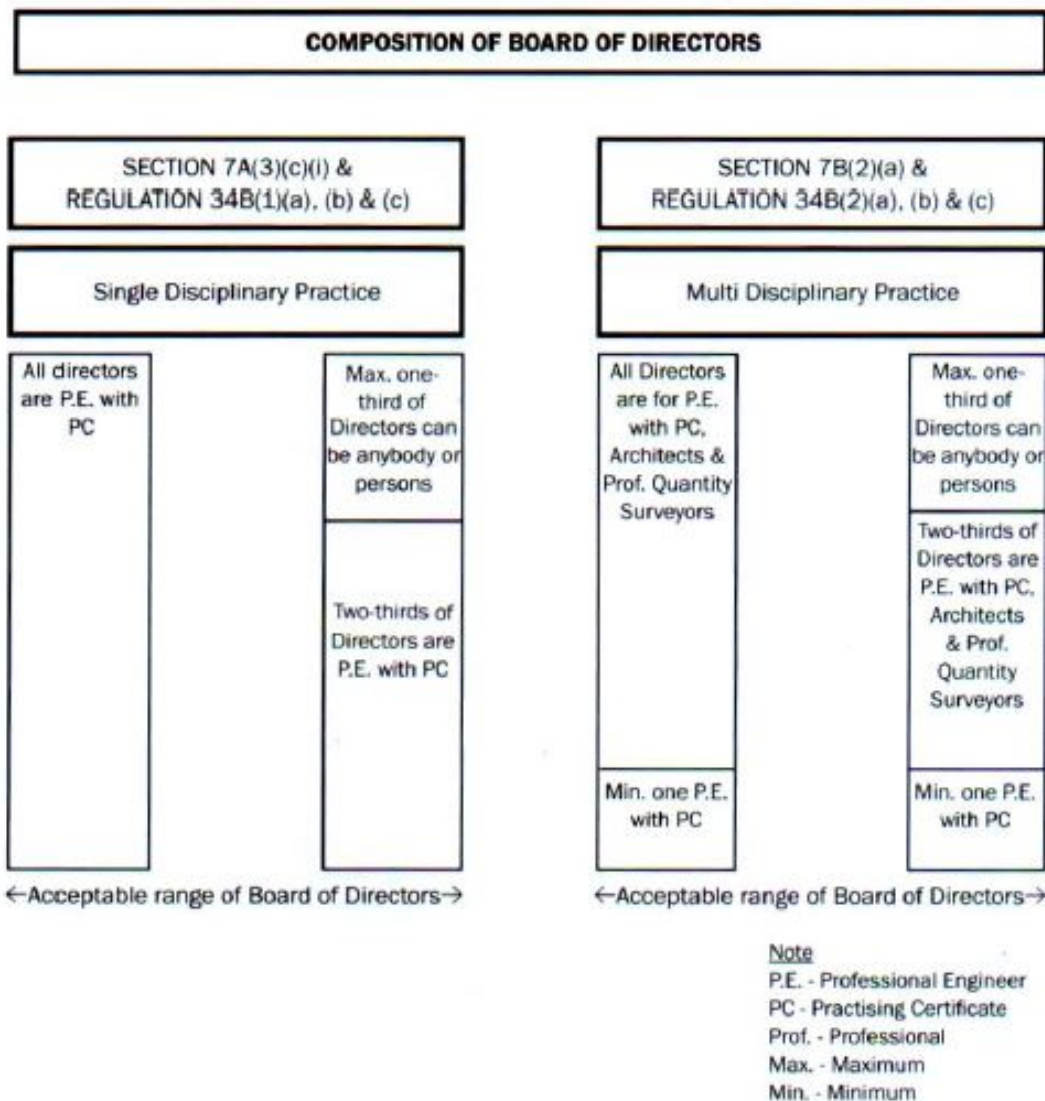


Figure 3. Illustration of Composition of Board of Directors

Prescribing the equity and composition of the Board of Directors in the Regulations allows flexibility to the Government to undertake progressive liberalisation without the need to amend the REA through Parliament.