

EXPECTED IMPACTS OF COVID-19

Introduction

1. Coronavirus disease 2019 (COVID-19) is an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2).
2. COVID-19 pandemic will have major impacts across the major projects spectrum in Australia for the short, medium and long terms.
3. Turnbull Planning International ('TPI') has prepared some risk management strategies for:
 - a. managing risks in current projects (now and in the medium and long terms); and
 - b. limiting risks in new projects having regard to the likely impact on all project participants across the finance, planning, supply, construction and delivery phases of a project.
4. TPI will continue to operate during this pandemic and is committed to working with our clients, contractors, subcontractors, local councils, other government authorities, suppliers and members of the public through this difficult period.

Impact on current projects

5. Firstly, and most importantly, we stay updated as to Government and WHO directives as to WHS and other restrictions on the movement and assemblage of people and access to sites, services and facilities.
6. Impacts which will affect almost all projects include but are not limited to the following:
 - a. procurement delays for building products, especially from those countries most affected by COVID-19;
 - b. increases in material costs given shortages arising from reduced global production, the relative weakness of the Australian dollar, labour shortages locally, and increased use of domestic resources (which are more expensive than imports);
 - c. increases in labour costs and less use of imported processed and/or prefabricated products;
 - d. varied site hours and access issues;

- e. resequencing of works to accommodate any or all of the above issues;
 - f. acceleration of works to address above issues;
 - g. subcontractor and supplier insolvency; and
 - h. delay costs and extensions of time (EOT) and claims in respect of those matters.
7. For many clients, a number of these issues will simply result in increased project costs in what is already a challenging market.

Identifying and limiting risks in new projects

8. Among other things, developers will need to:
- a. expect, and be ready for, planning and financing to be harder and more protracted;
 - b. gain an understanding of the scope of EOT provisions and giving consideration, for example, to a risk share arrangement for COVID-19 related delays (for example, a fixed number of days being the developer's risk for COVID-19 related delay, with risk then passing to the head contractor);
 - c. obtain, or give consideration to the need to obtain, facility arrangements which accommodate these risks and a contingency in funding specifically for the risks;
 - d. gain an understanding of the impact of acceleration and resequencing directions and fixing a rate for delay costs (against with a risk share for the head contractor);
 - e. give consideration to additional 'key personnel' insurance products in addition to business interruption and other cover;
 - f. carefully scrutinise the selection of subcontractors, keeping in mind that the cheapest quotation may not necessarily survive;
 - g. give consideration to rise/fall clauses and currency hedges, particularly for larger and cross-border projects; and
 - h. be aware of the risk of payment claims, particularly where sites are unattended.
9. Head contractors and subcontractors will need to:

- a. attend to the same or very similar considerations;
- b. consider the impact of delay, acceleration, disruption and resequencing, and whether each of those matters should be separately quantified at fixed rates;
- c. consider site access delays and interface issues;
- d. be aware of trade union risks in light of COVID-19 and the possibility of increased activism;
- e. manage quality carefully, bearing in mind that some of the worst defects in building projects occurred during the Global Financial Crisis; and
- f. price for these risks.

The way forward

TPI supports and implements all governmental initiatives in responding to the impacts of COVID-19 and will cooperate with industry participants in managing projects through this pandemic.

TPI will remain in operation (including by remote access) throughout this period. Our staff remain well-motivated and optimistic regarding the future. As a nation, we will get through this pandemic.

-oo0oo-