

Managing project delays in response to COVID-19



T&T InTouch knowledge share

We are reaching out to share our knowledge and advice as it relates to COVID-19 and the management of construction projects, because we believe that **team collaboration will put our industry in the best position to manage the unfolding uncertainty.**

We are learning, testing and sharing as we go along. We are also working with our global colleagues who have had to approach the pandemic earlier than us in Africa, and what we share has been **tested** in our Asia, America and UK businesses and is now being **applied effectively** across other regions as the need arises.

Managing project delays in response to COVID-19

What we are finding where projects or programmes have slowed or have been temporarily suspended (as we respond to the COVID-19), are clients now looking ahead. They are using this time to remain productive and in control, but more importantly looking at ways to bring in their products cheaper and within a timeline suitable to the market.

There are three main areas that we have focussed on with our clients:

1. **Take action now:** prepare for next measures while the shutdown persists
2. **Be ready and informed:** act decisively upon a return to work
3. **Plan for the future:** envision a way forward after the pandemic. In our experience most of our projects in Asia for instance have not started up immediately or at 100% productivity

1. Take action now:

Here are some actions you can take now to mitigate the impact of COVID-19 on the project design, bid and construction phases of your project.

Project design phase:

Material specifications – material supply is currently one of the biggest challenges we have experienced. We are looking to provide greater levels of cost and schedule controls, and are considering changing material specifications to use products either manufactured locally or where there is sufficient, existing stock.

Delivery method - consider shifting from a traditional design-bid-build delivery method, to a construction management at risk (CMAR) delivery model. While construction documents continue to be produced, engage a contractor using a 'fee only' bid. Form an integrated project team consisting of the CMAR, design team and **cost manager** to explore the early procurement of long-lead items to mitigate schedule challenges later.

Proactive risk management - undertake a quantitative risk analysis to enhance your understanding of cost and schedule exposure.

Phasing projects – to make them smaller and more manageable. It also means they are better suited to market demand and reduces capital risk. Our clients are using this down time to review the designs against anticipated market demands and returns.

Project bid phase:

We are seeing many clients reviewing their **contract strategy**. Regularly we are seeing a change from the EPC type contracts to a traditional BoQ. This allows the risks to be managed at the appropriate place and removes the premium that comes with the EPC type strategy - many are currently not willing to pay.

Assess – engage with your **project manager** to assess if receiving a competitive bid is possible, given current supply chain challenges, most companies are looking for work and will assist in reducing capital costs.

Extend – assess the implications of extending the **procurement** time as it relates to overall schedule end date constraints, this will allow for a thorough review of available materials and allow for potential cost savings to be realised.

Reconfigure – consider reconfiguring your request for proposals to include extended, second, and third shifts or other acceleration tactics in your initial buy out. This can also keep construction sites less dense with trade workers to better comply with 'social distancing' guidelines.

Challenge your supply chain to find new methods of working within the lockdown and subsequent period, this could be a "new normal" and projects need to be delivered. This could include, where possible, offsite fabrication, revised programming to decongest sites and modular fabrication.

Advance payments and owner supply material – most companies will struggle with cashflow after the lockdown. Understand what benefits you could receive by providing advance payments or paying manufactures/ equipment suppliers directly.

Proactive risk management – regularly update your risk analysis to keep firm control on the impacts of changes during the bid phase.

Project construction phase:

Swing shifts – consider shifting after-hours work to day-shift while remote working policies are enforced. This could create cost savings.

Project labour agreements (PLAs) for mega projects – are used on both public and private projects. They generally provide for competitive terms and improved work rules with local unions for large scale, significant spend projects. If your project has not started yet, but is planned for the near future, a PLA may be an appropriate instrument to explore, especially if you are delivering a mega project.

Contract review – undertake contract reviews to understand your termination/suspension rights and options. Conduct an assessment of remaining cost liabilities under a termination or suspension scenario.

Certifications – ask your payment certifier to closely monitor that materials stored off-site are not certified for payment. This will limit your exposure in the event of project suspension/termination.

Proactive risk management – maintain regular risk management updates to stay aware of the impact of changes in construction productivity on your costs to complete and schedule end date.

2. Be ready and informed:

- Undertake a **quantitative schedule risk** analysis to monetize the risks within the schedule that are tolerable and those that need to be managed with appropriate controls in place.
- Engage with your project manager to assemble two schedule options: one that extends the end date; and one that mitigates the lost time using **alternative tactics and incentives**. Engage your cost manager to quantify the cost implications of each.
- Have your project manager conduct a **risk/benefit analysis** comparing each alternative path forward.
- Use the output/report for discussions with internal stakeholders, allowing you to be in a position to act immediately and **proactively**.
- Consider the place of origin for **large-scale material purchases**. Have your cost manager and contractor work collaboratively to consider opportunities for hedging or arbitrage (purchasing from a different country of origin with a currently favourable currency exchange rate, to produce commercial advantages).

3. Plan for the future:

Knowing what we now know, how would we manage in a different way? Implement new ways of managing going forward.

Proactively manage commercial risk:

The importance of **building resiliency** into your consultant team cannot be understated. Having an independent party verify budget and forecast your cost exposure is of paramount importance.

Maintain measured control of value at every stage of design through independent, market tested, budget exercises.

Control the procurement process with robust, auditable templates and reports. Maintain live budgets at every stage and establish one source of truth. This will be valuable in the event of a stoppage or suspension.

Have your cost manager undertake a full **360-review** of the commercial aspects of the project. Usable cost data results in more informed decisions in the future.

Manage contractual and performance risk:

Standard force majeure clauses may not adequately capture the risks present in the modern world. Enhance contractual language, ensure every duty to mitigate must be sought. Decide if words such as 'pandemic', 'outbreak', or 'government-imposed shutdown' trigger force majeure clauses

Diversify your supply chain. Ensure that you have options available to you to be able to split important material purchases across multiple countries of origin to limit exposure.

Digital technology:

Become 'digitally native'. Use technology from the inception of your project to allow remote working to be highly productive.

Use **building information modelling**, data analytics, and a web-based project management tool for maximum continuity and collaboration, accuracy of data for decision-making, and to reduce disruption.

Ensure internal technology and servers are sized to handle increased teleworking effectively; ensure software license issues are not a cause for business disruption.

If you would like to learn more about how to protect your projects now and into the future or if you would like some advice specific to your own organisation and/or projects please do not hesitate to contact me.

Ask the experts

We will continue to share relevant insights around the pandemic's potential impacts on construction, specifically including: construction costs, contractual implications, labour availability and supply chain risks.

We have set up a helpdesk (T&TInTouch@turntown.com) to support our clients and industry colleagues with any issues related to the impact of current events on their projects whether that is stopping, restarting or accelerating work across Africa. Between us, we have expertise covering contracts, risk, project controls, estimating, data and digital solutions.