

How we have seen our clients involved in capital projects, manage the operational impact of CV-19



T&TInTouch knowledge share

What others are doing to manage the operational impact of CV-19

We are sharing knowledge and advice, because we believe that **team collaboration will put our industry in the best position to manage the unfolding uncertainty related to CV-19.**

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.

While the number one priority remains the health, safety and wellbeing of staff, there is of course a huge cost, both economic and social to limiting or halting business operations. Managing the impact on operations will be vital in protecting the long-term sustainability of capital projects.

Aside from actions clients are taking to protect their people and ensure business continuity, **below are the strategies and measures** we are seeing our clients using to **maintain operations and prepare to bounce back**.

We see our clients protecting their businesses through:

- **Performing remote risk analysis and schedule review sessions** to reset and recalibrate plans and work packages over projects in execution and commissioning stage. Assess the interface issues and implement mitigation measures.
- Looking at **methods to reduce capex and make changes to current designs** of projects, including looking at the phasing of projects.
- **Payment terms** are being renegotiated as clients look to stay cash positive and where possible (and allowed) to keep projects moving forward.
- **Performing risk reviews of supply chain resilience** including inventory, stocks, logistics, shipping, delivery, supplier financial stability, prompt payments and cash flow.
- **Reviewing contract terms and conditions with vendors and suppliers** to both manage contractual notices and to ensure that obligations and the service level agreements that have been set, are being met. Understanding and determining what can be deferred. While force majeure may be in operation, our teams in Asia are working collaboratively to deliver commercial reviews and ensure continuity of existing supply chains.
- **Extending contracts with contractors already on site** to reduce the introduction of new workers on site and ensure continuity of projects.
- Critical during this time is **ensuring records are being maintained** so appropriate resolution can be established in due course.

- **Reducing CAPEX appropriation** – focus on the essential rather than the gold standard. Undertake a full funding review to scale back capital projects and programmes, with a documented, resource loaded programme ready for implementation when the external issues subside.

We see our clients preparing for the bounce back by:

- Simplifying projects and looking at a **phased approach** in line with an expected reduced market demand. Based on new smaller projects or re-phased projects clients are then looking at new **delivery programmes** to suit expected demand.
- **Planning and assessing the impact of supply chain delays on completion dates**, to allow greater clarity for when full operation returns.
- **Reviewing designs** against available materials to facilitate construction and minimise delays.
- **Revisiting budgets** with the intention of moving particular projects through stage gates to get approvals in order to **stay ahead of the material supply shortage expected**
- Using the downtime to negotiate with contractors and **close out contracts and specialist suppliers** who are all looking to fill order books.
- **Being proactive in facilitating early cash flow payments to support supply chains** – direct payment to sub-vendors or advanced payment mechanisms to contractors.
- **Working with other local facilities** to see if personnel can be shared between sites to ensure key skills are accessible.
- Reducing internal project staff as they look to reduce overheads and move towards a **new, flexible approach for time-based project delivery.**

These are just some of the strategies we are working on with our clients to maintain operations. Front of mind for us is the reality that trained, experienced operational staff who can operate and/or maintain specific facilities are limited and the situation presents a major risk to operations if personnel are unable to come to work.

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.