



As the Irish Construction Industry gears up for a return to work on the 18 May 2020, David Hughes, Director at **ROSE PATRICK** takes a brief look at the likely commercial impacts on Mechanical & Electrical (MEP) contracts due to the current Covid 19 Pandemic.

The Irish Construction Industry Federation (CIF) '... devised a plan the intention of which is to provide a standardised approach to commencing construction projects in Ireland which incorporates the COVID-19 public health requirements...' (Source: CIF). Implementation of the CIF Construction Sector C-19 Standard Operating Procedures (SOP) - Version 1 - is now being rolled out across construction projects throughout Ireland.

CIF Construction Sector C-19 SOP Impacts:

Tender Inflation - Direct and indirect cost inflation in the short term associated with C-19 is likely to be countered by a reduction in contractor margins (in some cases negative) as concerns around the macroeconomic situation and reduced project pipeline increases tender competitiveness generally. There is now a greater risk of below-cost tendering and associated increased rate of contractor liquidations, especially those more exposed to at-risk sectors e.g. Hotels, Retail & Aviation.

Contractor Claims Form of Contract

- Irish Public Works | Construction Contracts Committee (GCCC): No entitlement for additional time or cost under GCCC Clause 10.3 albeit there are opportunities for ex gratia payments or variations via alternative mechanisms under certain scenarios.
- RIAI - Entitlement [clause 4] but subject to substantiation. Key cost drivers:

- Preliminaries - Facilities; C-19 compliance officer; cleaning; PPE.
- Programme - Supply Chain; Extension of Time; LADs; Delay Costs.
- Productivity - Increase in labour in norms; confined working two people <2m; single trade access; microprogramming; extended site opening; shift work.

More about Productivity

Social distancing will have a major impact on productivity for MEP services installation. A complete re-think in terms of sequencing work, resourcing, and off-site fabrication. Based on survey feedback from MEP contractors working in the EU and the UK [where sites remained open] it is clear that there will be a steep learning curve in terms of efficient implementation of new COVID 19 health and safety requirements. The true impact will only be established retrospectively through the analysis of detailed contemporaneous site records. That being said we have extrapolated probable productivity impact ranges based on feedback from other jurisdictions and initial assessments carried out on behalf of MEP Contractors in Ireland.

Projected Impact of C-19 SOP on MEP Installation Productivity

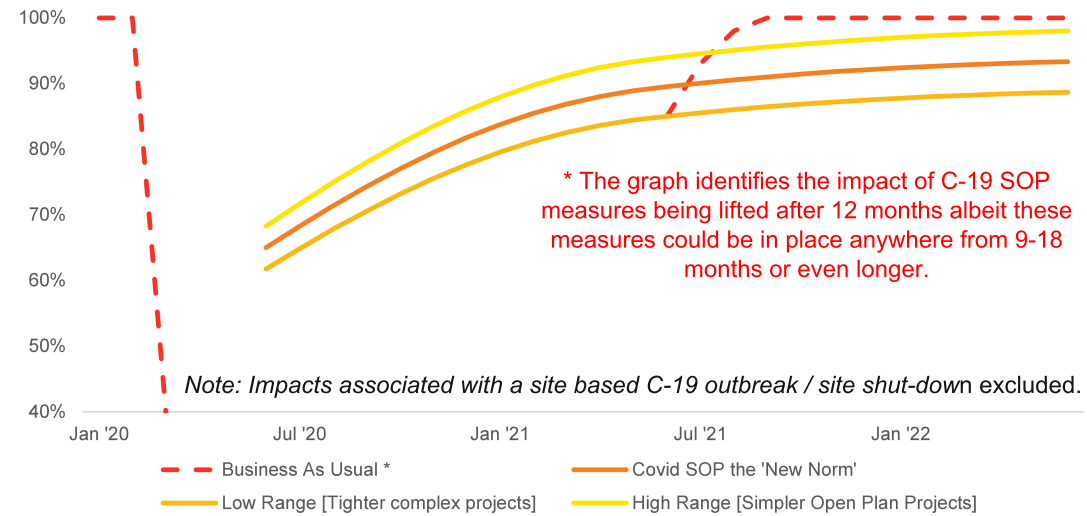


Figure 1: Projected Impact C-19 Standard Operating Procedures on MEP Installation

Projected Commercial Impact

Confined complex projects with a large proportion of the work scheduled for installation within the next 6 - 9 months will be most significantly impacted. As the construction industry [People | Process | Technology] will innovate and adapt to the 'new norm', driving up productivity back to close to previous levels over the next year. The short term learning curve will be steep though.

Key C-19 Impact Drivers	Risk Magnitude			Score
	Low (5)	Medium (10)	High (20)	
Complexity / Confined Work ?	Low (5)	Medium (10)	High (20)	
When is majority of the remaining work taking place ?	After March 2021 (5)	After Oct 2020 (10)	Next 6 Months (20)	
Cost Impact	Low <15	Medium <25	High >25	

Table 1: C-19 Commercial Risk assessment scoring matrix

The below order of magnitude range is indicative only; please contact ROSE PATRICK directly should you have a particular project to discuss.

Order of Magnitude Claim Value Range 5-15% of remaining Contract Value

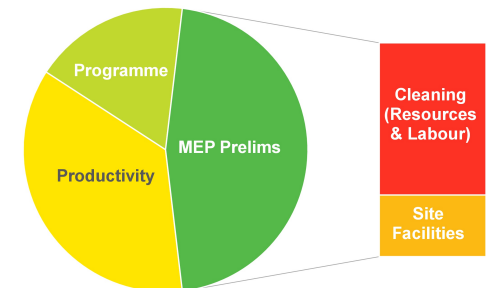


Figure 2: Graph of an indicative cost breakdown; % split will vary