



STATEMENT BY ACEM ON THE IMPACTS AND POTENTIAL CONSEQUENCES OF THE COVID-19 PANDEMIC ON THE CONSULTING ENGINEERS' BUSINESS AND INDUSTRY

1. ACEM supports the Movement Control Order (MCO), imposed between 18 to 31 March that is now extended to 14 April 2020, as the strategy adopted by the Government to contain the spread of Covid-19.
2. In observing the MCO, all our members (and other businesses and Government offices too) have to close their offices and all employees have to work from home (WFH).
3. For those providing construction supervision services, all works have to stop due to site closures and WFH is just impossible. At best, WFH for the site supervision team would be to classify it as being on standby and ready to respond in case of emergencies on site.
4. This is an unprecedented situation never experienced before and never prepared for by ECPs.
5. Overall the productivity of all Engineering Consulting Practices (ECPs) has dropped severely; down even to 0-10%. This in turn results in a series of negative implications on the ECPs.
6. The low productivity threatens the ECPs' ability to meet all their contractual obligations in terms of meeting milestone delivery deadlines and end dates thus exposing them to having to apply for Extension of Time (EOT) and potential payment of LADs (Liquidated Ascertained Damages).
7. For those providing construction supervision services, some contracts deemed as not eligible for any claims for the days when the site supervision personnel are not on site.
8. Exacerbating the ECP financial stresses, under the MCO and in the low productivity mode, all ECPs are still required to continue employment and continue to pay full salaries and allowances; no terminations, no unpaid leave.
9. Over and above this, ECPs will still have to pay the fixed overheads and expenses and critical support services.
10. Given that over 90% of member ECPs are SMEs with cashflow reserves to support the ECPs for only one to two months, the rapid closure and extreme downsizing of many companies seems inevitable.
11. With some analyst predicting recovery could take up at best in 1 but may even stretch to at least 3 years, collapse of the industry seems imminent unless the Government extend special financial packages to assist in sustaining the business and employment.
12. ACEM appreciates the announcement by YAB Prime Minister on the *Pakej Ransangan Ekonomi Rakyat (Prihatin)* to rapidly relief the financial constraints faced by the Rakyat based the theme "No one will be left behind".



13. ACEM looks forward another early announcement by YAB Prime Minister of the next *Pakej Ransangan* that hopefully would focus on the financial facilities and support to ensure the sustainability of businesses and industries as well as continued employment.
14. ACEM is very much aware that everyone and all businesses and industries and including the Government share the same predicament and concerns. Thus ACEM shall strive to work together with the Government and all parties to provide ideas and develop fair and practical solutions.

ADVISORY NOTES TO MEMBERS OF ACEM

15. To send out notices to all clients of the challenges in meeting contractual obligations.
16. To propose revised contract milestones and end-date delivery schedules.
17. To review all on-going service contracts and identify clauses that would allow fair claims under this existing circumstance.
18. To negotiate with clients, financial institutions, creditors and debtors, suppliers and support service providers on terms and conditions of contracts and request for adjustments and latitude to ease the contractual and financial constraints faced.
19. To discuss with all employees on the present state of the ECP and offer options for managing the situation.
20. To study clauses related to *Force Majeure* and insurances, if any, and evaluate the impact on the ECP.
21. To review the impacts on cashflow and financial position of the company and develop financial management plans.
22. To submit to ACEM as to the types of Government assistance that may be requested to relief ECPs of impending financial problems and issues and to ensure the sustainability of the business and the industry and employment.

Datuk Ir Mohd Adnan bin Mohd Nor
PRESIDENT

28 March 2020