

SUBMITTED BY ACEM TO MALAYSIAN INTERNATIONAL TRADE AND INDUSTRIES (MITI)

ISSUES FACED BY PROFESSIONAL SERVICES (PS) WHEN COMMENCING BUSINESS

Name of PS Bodies/Association: **Association of Consulting Engineers Malaysia (ACEM)**

Sub Sector: **Engineering Consultancy Practices (ECP)/Construction**

A ISSUES

i) **Cash Flow** (*Only 50% of ECP can sustain the business for 1-2 months from March 2020 under the current scenario*)

- Many face difficulties in paying employees' wages
- Many has imposed salary cut, some only remit a bare minimum of RM2,000/employee per month since March and some as low as RM 1,200/staff all throughout the company as 'subsistence allowance'. This is to stretch cashflow reserves by 4 to 6 months during early recovery period;
- Some have embarked on retrenchment exercise, no new appointments, no new opportunities for university trainees and practical attachment programs;
- Reduction of corporate tax & individual tax; waiver or reduction of SST or retention of part of SST payment are much sought after;
- Some have resorted to financial loan for survival;
- ECP are appealing for wage subsidy for all employees for 6 months (40-60%);
- And to subsidize EPF employer's contribution rate (subsidy of 5-7%);
- In addition to full exemption from contributing to EIS and SOCSO until December 2020.
- Clients too (including the Government) are just beginning to restart. This will affect claims processing, tender evaluation and award, signing of Memorandum of Agreement.
- Payments and claims for work done before MCO were also interrupted. There is a need to review processes and procedures to expedite and catch-up.
- There are concerns that there will be a severe shortage of new job opportunities from the Government and private sector.
- Inability to pay taxes. To defer tax payments up to 12 months – Tax Instalment, Custom Tax, Income Tax

ii) Human Resource

- Working offline/online will be the new norm and aids are required to establish dependable facilities for staff
- Staff are encouraged to work from home (WFH) and new targets (KPI) for WFH are formulated. Better network / cloud-based system for data transfer and savings within controlled environment will be required urgently;
- Telecommunication and internet facilities must be upgraded to support this.
- Companies are also responsible to ensure facilities to WFH as well as even safety of staff when WFH.
- Staffs with children unable to find care (childcare services, schools, Taska) as these are still under the negative list. Thus there is reluctance to Work In Office.
- Also many (15%) of staff are still reluctant to start work under the pandemic situation.
- Hari Raya Aidilfitri is also coming close and this is also a factor for some staff reluctance to start work and expose their family to the virus.

iii) Regulation / SOP

- SOP and regulations vary according to States, and some vary from version to version albeit from the same authority; can be very confusing. There are apprehension and concerns on compliance to various and rapidly changing federal and state regulations /SOP.
- There is a lack of understanding on any legal impact on the employer if an employee contracts the Virus. In some SOP the company is deemed fully responsible if any of the staff contracts the virus. This is unfair and not encouraging from companies to participate fully in early economic recovery.
- ECP can only ensure compliance of SOP for their own supervising staff at site and issue cautionary advice or reminder to Contractors to adhere to their mandatory construction SOP requirements. Enforcement must come from CIDB onto the contractors as the project site 'owner'. Unbalanced and unclear responsibility matrix between contractor and consulting engineers

iv) Health Screening

- On the last MITI FAQ dated 8 May 2020, item 17 states that companies can commence operations on May 4, 2020 and staff screening is not mandatory, except for foreign workers through Socso Program of Covid-19 tests. However, there are conflicting requirements by States authorities.

- Rather difficult to obtain appointment at the screening centers and queue can be long for walk-in.
- Unaffordable for most SMEs

v) Supply Chain (Supply Chain Sustainability/Self Sufficiency)

- Manufacturing of construction materials like tiles, roofs, frames, etc should also be allowed to resume operations perhaps on 'people' quota initially, with expectation to increase to cater for growing demand over time as the nation regains its stability from the pandemic effects.

vi) Any other Issues (related to business operations, e.g. inter-state travel restriction, etc)

- Circular for projects under Kementerian Pendidikan Malaysia states that KPM will not honour site supervision fees during the MCO which is punitive to the ECP. Whilst ongoing construction activities cease during the MCO, that led to site supervision services stalled, ECP could not terminate their site staff as required by the Government during the MCO. In addition, there are no instruction from clients to demobilise site supervision staff. Companies also cannot terminate services of the supervision staff during this period as there were uncertainties to the total duration of the MCO and that there is a need to be ready as site activities will resume once allowed which will entail immediate re-mobilisation of the staff. ECP must supervise these construction activities and recruitment of any new workforce will impact timeline and contractual obligations.
- ACEM also looks forward to a 'new normal' in terms of fair terms and fair condition of contract as well as active Government-Industry engagement before introducing punitive unilateral decisions by the Government.
- SOP on interstate travelling varies between states and areas. Some were informed that police permits are not required when they approached the authorities. Many consultants have projects in various States and a simple procedure is necessary to facilitate inter-State travel.
- ECP requires more specific and focused economics recovery plans to facilitate getting new projects and getting back on our feet. Many are currently surviving on their existing reserves due to absence of new projects. Current projects for most are at the tail end, and prospects of sustainable projects for survival are nowhere in the horizon.
- There is a need to renegotiate certain terms and conditions of the contract to account for the MCO impact as well as the SOP compliance upon restart.
- ACEM is concerned that based on the recent experience in applying for permit to work during MCO, red tapes could stifle rapid revitalisation of the construction industry and the economy as a whole.
- Construction Industry is not just about construction works but the feasibility studies, planning and design aspects are integral.

- In fact this is very important for the sustainability of the revitalisation efforts. There cannot be construction works without designs and tender. Thus every effort should be given to expedite “tender readiness” to sustain subsequent construction works.
- Therefore this aspect of activities should also be allowed even during MCOs. Moreover ECPs are concern that deliverables be met on time to avoid penalties.
- Clients (including Government sector) too are concern as delays will affect project deliveries and e.g. for the private developers, penalties from house buyers.

B. COMPANIES IMPACTED

- i) Activities that have yet to restart/commence
 - For Planning and Design; Feasibility Studies
 - Soil Investigation Works (SI)
 - Ground/topographical survey
 - Utility services survey
 - Public and stakeholder’s engagement programs
 - Traffic surveys and studies
 - Coastal data collection
 - Data and site investigation
- ii) Number or percentage (%) of companies yet to commence these activities
 - No feedback yet but could be as high as 90% and even more as these could involve inter-State travel and on-the-ground interaction with stakeholders.

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Please submit your feedback by PS bodies/association via WhatsApp at 012-3620844 or email to ravi@miti.gov.my.