

29 June 2020

To: All firms registered in BCA's Contractors Registration System (CRS)

Circular on Ex-Gratia Co-Sharing of Prolongation Costs due to COVID-19

This circular informs all contractors registered in CRS on the ex-gratia co-sharing of costs arising from project delays due to the Circuit Breaker (“CB”), Extended CB and till the approval to restart works is obtained from BCA (“**prolongation costs**”).

2 In response to the COVID-19 (Temporary Measures) Act 2020 and the COVID-19 (Temporary Measures) (Control Order) Regulations 2020 (“**Control Order**”), BCA has issued the following advisories:

- a. Advisory on 3 April 2020 to inform the Built Environment (BE) sector that all building work as defined in the Building Control Act, except for works that are deemed essential, are required to cease with effect from 7 April 2020 to 4 May 2020 (i.e. CB);
- b. Advisory on 2 May 2020 to inform the BE sector that non-essential construction works must continue to cease until 1 Jun 2020 (i.e. Extended CB); and
- c. Advisory on 25 May 2020 to inform the BE sector on the safe and controlled restart of the construction sector from 2 June 2020 (i.e. Restart).

3 The Government has announced that it will provide support under the Fortitude Budget to co-share additional costs incurred by contractors. ***As part of this support measure, government agencies shall co-share, on an ex-gratia basis, 50% of the prolongation costs for project delays due to the CB, Extended CB and till approval to restart works is obtained, capped at 1.8% of the awarded contract sum*** (Refer to Para 5 for details).

Eligibility of contracts

4 The co-sharing of prolongation costs will apply to public sector construction works¹ with on-going main contracts and tenders closed on or before 1 June 2020². Tenders closed after 1 June 2020 are deemed to have included the Restart requirements in the tender submissions. Government agencies reserve the right not to co-share the prolongation costs if there are valid grounds.

¹ Refers to building, civil engineering works and addition and alteration works. Supply and term contracts are not eligible for this ex-gratia payment.

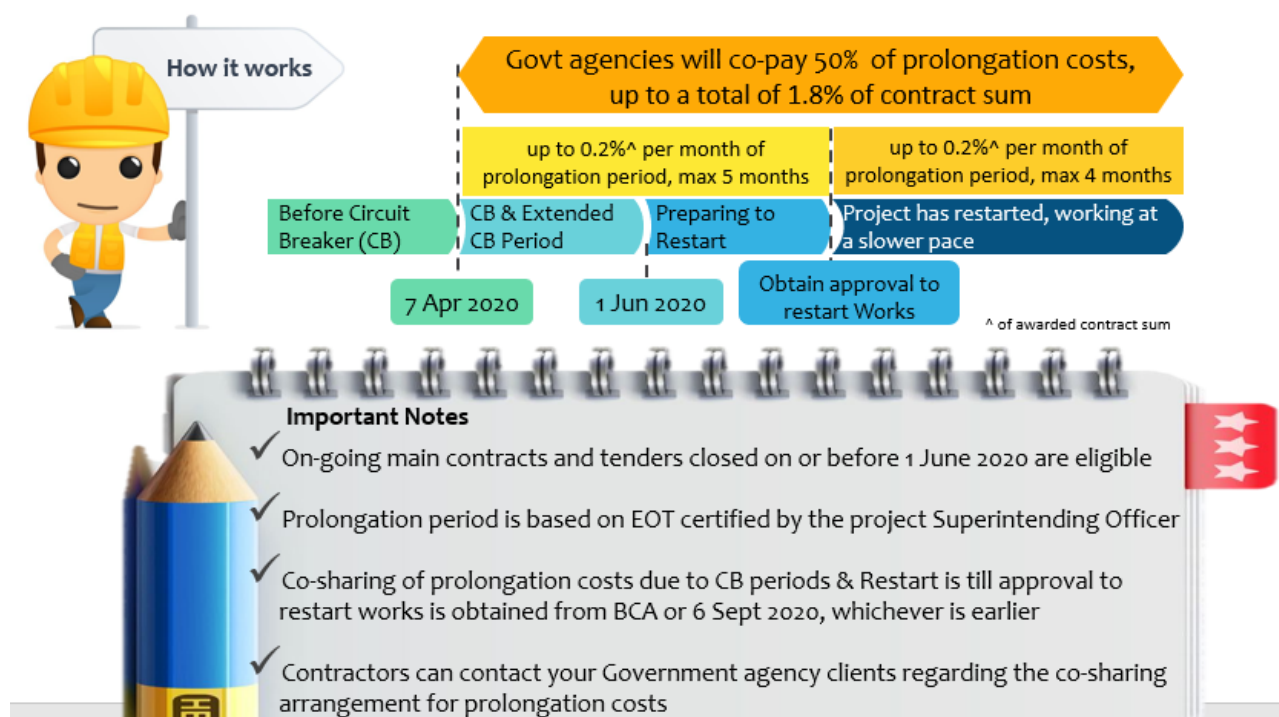
² See Annex A for examples.

Co-sharing of prolongation costs

5 The amount of prolongation costs co-shared by the Government³ will be 50% of the total prolongation costs, up to 0.2% of the awarded contract sum per month of prolongation⁴, for the following periods:

- (i) **CB, extended CB and Restart period** from 7 April 2020 till when the approval to restart works is obtained from BCA or 6 September 2020, whichever is earlier [capped at 5 months of Extension of Time (EOT) certified by the project Superintending Officer (SO)]
- (ii) **After BCA's approval has been obtained to restart construction, capped at 4 months of EOT certified by the SO, due to loss of productivity** in compliance with the Restart requirements.

Ex-Gratia Co-Sharing of Prolongation Costs due to COVID-19 (for public sector projects)



- a. **For any contract with awarded contract sum of \$100mil or below**, contractors are required to submit the breakdown of additional costs incurred, including costs incurred by their subcontractors and/or suppliers and affirm that the information submitted is true and accurate. To ease the administrative efforts for the claim process, contractors are not required to submit documentary proof upfront with the breakdown. However, contractors may be asked to produce documentary proof (e.g. invoices and payment etc.) for audit checks by the government agency at any time. Government agencies may also reserve the right to claw-back any overpayments.

³ GST is not applicable to ex-gratia payment and contractors are not required to charge GST to GPEs. Contractors, if GST registered, must not issue tax invoices to the GPEs for this ex-gratia payment.

⁴ Refer to example in Annex B for illustration.

Consequence of errant contractors

Appropriate actions will be taken against errant contractors. For example, the main contractor's performance assessment in the project may also be accorded a "Poor" rating by the government agencies. As both main contractors and first-level subcontractors/suppliers in public sector projects are required to be registered in BCA's CRS, BCA may review the CRS registration of the CRS registered contractor if BCA receives any feedback of errant claims.

- b. **For any contract with awarded contract sum of above \$100mil**, contractors are required to submit the breakdown and documentary proof (e.g. invoices) of the additional costs incurred, including costs incurred by their subcontractors and/or suppliers.

6 Prolongation costs will include:

- a. Plant and equipment costs;
- b. Site maintenance costs. Manpower cost incurred by the contractor's own manpower for site maintenance is excluded;
- c. Other costs such as extension of project insurance and performance bonds and storage etc;

and exclude:

- a. **Manpower costs** (i.e. salaries, accommodation and transportation of employees and workers and foreign worker Levy (FWL) as these are already covered by other government relief measures such as Job Support Scheme and FWL waiver/rebate); and
- b. **Compliance costs for Restart** (i.e. safe management measures such as segregating workers or cohorting of workers by projects at their places of accommodation, etc).
- c. **Other costs covered by government relief measures** (e.g. rental waivers).

7 To make the ex-gratia payment, government agencies would require main contractors to enter into either a supplementary agreement or a separate letter of agreement. To avoid double funding, government agencies would reserve the right to recover monies from the contractor in the event of any overpayment (i.e. receipt from the Government by the contractor of amounts in excess of any costs incurred).

Clarifications

8 For any clarifications, please contact us at BCA_PPD@bca.gov.sg.

Er. Ng Man Hon
Director, Procurement Policies Department
Building and Construction Authority

(Transmitted via email)

Annex A – Scenarios for illustration

Annex B – Example of co-sharing of prolongation costs

	Eligible to claim for co-sharing for delays due to	
	CB, Extended CB & Restart (capped at 5 months from start of CB i.e. 7 Apr 2020)	Loss of productivity (capped at 4 months)
<p><u>Scenario 1</u> On-going main contracts</p> <p><u>Scenario 1a</u> -Ongoing contract Date of obtaining approval from BCA to restart works by meeting COVID Safe criteria: 1 Oct 2020</p> <p><u>Scenario 1b</u> - Ongoing contract Date of obtaining approval from BCA to restart works by meeting COVID Safe criteria: 6 Aug 2020</p>	<p>Yes</p> <p>7 Apr to 6 Sep 2020 (i.e. capped at 5 months)</p> <p>7 Apr to 6 Aug 2020 (i.e. 4 months)</p>	<p>Yes</p> <p>up to 4 months</p> <p>up to 4 months</p>
<p><u>Scenario 2</u> Tender closed on or before 1 Jun 2020 with contract commencement date on or before 6 Sep 2020</p> <p><u>Scenario 2a</u> Tender close date: 1 May 2020 Contract commencement date: 1 Aug 2020 Date of obtaining approval from BCA to restart works by meeting COVID Safe criteria: 1 Oct 2020</p> <p><u>Scenario 2b</u> Tender close date: 1 May 2020 Contract commencement date: 1 Aug 2020 Date of obtaining approval from BCA to restart works by meeting COVID Safe criteria: 1 Sep 2020</p>	<p>Yes</p> <p>1 Aug to 6 Sep 2020 (i.e. 1.2 months) (CB not applicable)</p> <p>1 Aug to 1 Sep 2020 (i.e. 1 month) (CB not applicable)</p>	<p>Yes</p> <p>up to 4 months</p> <p>up to 4 months</p>
<p><u>Scenario 3</u> Tender closed on or before 1 Jun 2020 with contract commencement after 6 Sep 2020</p>	<p>No</p>	<p>Yes</p>
<p><u>Scenario 4</u> Tender closed after 1 Jun 2020</p>	<p>No</p>	<p>No</p>

The example on co-sharing of prolongation cost below is based on awarded contract sum of \$20,000,000.

Description	Scenario 1	Scenario 2
Prolongation costs per month <i>(based on actual costs incurred, GST incurred by the main contractor in the expenses shall be excluded from the co-payment)</i>	\$ 76,000	\$ 84,000
50% of prolongation costs	\$ 38,000	\$ 42,000
Co-sharing amount per month <i>(capped at 0.2% i.e. \$40,000/month)</i>	\$ 38,000	\$ 40,000

Note: Overall co-sharing is capped at 1.8% of the awarded contract sum i.e. \$360,000.