

# COVID-19 Central/West Construction Round Table Situation Report

## Summary

as of April 3, 2020

### Session Presenters

- James Vermeulen, Vermeulens
- Brent Bertrand, DSI
- Kevin Moses, Big State Electric
- Tom Vaughn, Vaughn Construction

### Subcontractor Feedback

- Copper **prices are down**; PVC may become an issue; sheet metal is not an issue yet
- HVAC equipment; Trane focused their **manufacturing to critical infrastructure**
- Workforce showing a **sense of fear** and demanding PPE (i.e. facemasks)
- Are there issues with material coming from overseas? **No problems seen to date**, but the way things are lagging we could see issues
- **San Antonio Bid Log**
  - January +\$100mil
  - February +\$100mil
  - March +\$75mil
  - April +/- \$5mil
- **Momentum has shifted** downward substantially, and we will see it as the jobs progress
- Peers are seeing a **20-40% reduction** in volume
- Issues with manning active jobs due to workforce preferring to **stay home and collect benefits** (typically open shop)
- Shift Work: seeing more trades afterhours and there is a **+/-10% premium** which could be a wash as efficiency increases
- **Potential factory backlog** to increase costs; 95% of light fixtures come from China
- Switch Gear Manufacturing being impacted due to PPE gear? Yes, there are **issues meeting the demand**
- On some projects, owners have been processing **draws every two weeks** and reducing retainage to 1%

### Insurance and Bonds

- **No general pandemic exclusion** in bond forms
- Best Practices – bond forms can shift in the future to factor in pandemic exclusions
- Revisit your contract – is the contractor in default? Go back to your **standard contract**
  - Force Majeure
  - Government Action
- Force Majeure – **contractor is entitled to an equitable adjustment** of the contract time issued via change order for delays caused by suspension of work
- Emergency clause – **contractor shall act to minimize** and prevent but there is room for interpretation
- Environmental safety – control the time and avoid additional cost implications
- SDI Subcontractor Default Insurance – Governmental Action Exclusion – the insurance does not apply to any loss or portion of any type or **action taken by government authority**. Still using it on all projects and it is a superior product
- Access to credit will lead to the domino effect and **subcontractors will be lost** in the downturn

### Economic Overview

- March 2020: we are **down 10.7M**
- GDP is going to decline slightly in Q1, but we are predicting a **substantial decline in Q2**
- Interest Rates are at **all-time lows** from 2009
- Oil price issues? Supply is too high. Houston – oil related sectors that have a large amount of projects put on hold

