

CCNZ COVID-19 Impact Member Survey - Analysis

CCNZ conducted a survey of members between 31 March and 3 April to gauge key issues, the effectiveness of government support packages and gather information on what further efforts the industry would like to see from CCNZ.

General summary of results

While most businesses felt they could survive at least four weeks in the current situation, all were concerned about the ongoing impacts and fundamental changes to projects, contract terms and work situations. Also about retaining staff, which they felt the current subsidies were not sufficient for.

Many had clear, specific ideas about what they wanted to see. Most saw opportunity and were positive about taking on significant infrastructure projects in the near to medium term to boost the economy, although they were cautious about how long any fast-tracked projects may take to make it to market.

Results analysis by question – Q1-3 Respondent roles and businesses

- The survey received 72 responses
- More than 90 per cent of respondents held roles at business owner or CEO / General Manager level.
- Responses came from a wide geographic spread.

Results analysis by question – Q4-6 current capability to work

- Most businesses reported they were working at less than 10 per cent capacity.
- While businesses were providing some level of essential services work, the amount of work was much lower than normal.
- Very few workers were able to continue working anything like normal hours.

Results analysis by question – Q7 steps taken to get through COVID-19 lockdown

- Most businesses reported pay and wage reductions for staff.
- Some reported they were paying staff normal hours, but considered they would not be able to maintain this.
- Some reported they were laying off workers.

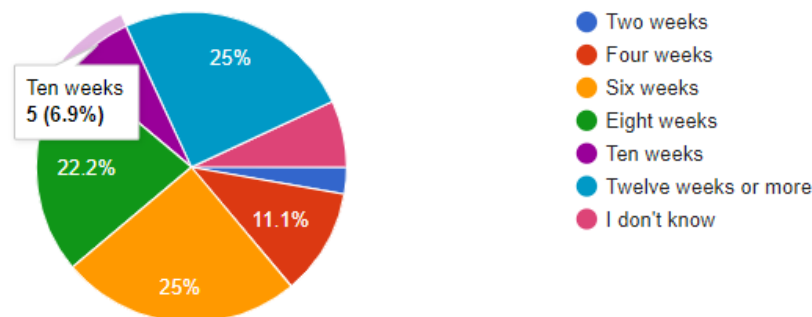
- Many were considering online courses or additional training for staff during the downtime.

Results analysis by question – Q8 business survival

- Most business reported they would be able to last at least four weeks under the current lockdown arrangements.
- It is interesting that a quarter of respondents said their business would be able to withstand at least twelve weeks under current arrangements.

How long do you think your business can continue under the current lockdown arrangements?

72 responses



Results analysis by question – Q9 key problems

- Lack of cashflow (now or in May/June) was the biggest concern
- Increased debt / low working capital following lockdown was a major concern.
- For current projects, key challenges included
 - difficulties starting up again following the break in work,
 - additional expenses post-lockdown,
 - reduced margins for current projects
- Post-lockdown expenses such as financial and time costs of establishing new rules and regulatory regimes to handle H&S and site requirements to handle the pandemic effectively were also a concern
- Uncertainty was a big factor at present. This included
 - Contract terms, impact on current contracts and what costs contractors would pay and what clients would
 - Uncertainty around debtors paying their bills on time
 - Uncertainty around whether lockdown would continue past four weeks
 - Uncertainty over staff retention / what to pay staff /
- Supply chain delays
- Other issues included

- Contracts not suspended
- Contractors expected to pay downtime costs
- Concerns about lowballing by competitors to 'grab work' post lockdown
- Inability to do sufficient forward work planning
- Extreme pressure on staff, labour shortages and worse work conditions post-lockdown

Key quotes:

"No ability to generate income while our workshop and site teams are closed. We have a small team and a large forward workload so need to retain experience so therefore need to continue paying decent levels of pay."

"Not knowing how long this will last. Knowing what the fair amount to pay staff over this time. Government Subsidy doesn't top up enough for our industry."

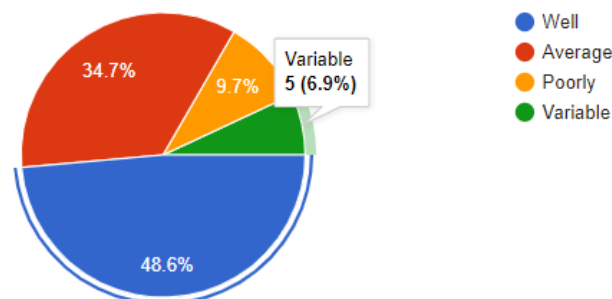
"Slow payment of contract claims, unknown return to work date, unknown what future work will be available beyond 2020. If government release infrastructure projects early the industry will survive ok if they don't the outcome will be bleak."

"The timing of when the lock down will be lifted - the importance for every New Zealander to take seriously as to minimise the lock down period. The other negative impact is, once employees can commence work, the high risk of H&S based incidents plus the Q&A impact due to falling out of routine due to time away from the work place - all resulting in loss of production and a lesser gross margin on projects"

Results analysis by question – Q10 and 11 client behaviour

Overall, how have your clients managed the closedown and communications?

72 responses



- Overall, clients were reported to have managed closedown and communications well or as expected, but around 10 per cent were reported to have behaved poorly.
- The main issues cited were:

- last-minute notices (perhaps unsurprising given how rapid the announcements were and confusion over what is an essential service)
- Poor communication between clients and confusion amongst engineers
- Refusal to suspend or vary contract terms when there is clear cause, even regarding 3910 contracts
- Client expectations the contractor will cover costs of closure and shift risk to the contractor (CCOs and local government named)
- Engineers 'silenced'
- No recognition of cost of closing and re-starting work, which has been put onto the contractor.

Key quotes:

"During close down of sites, safety has been most important. We understand and comply, but it does cost company to do this work, de-establish and re-establish. There was no instruction or discussion from the client in regards to these costs."

"Zero communication beyond via GETS. Zero formal correspondence from Engineers to the Contract. This applies on all contracts. Only NZTA CNC Alliance provided a letter to subcontractors outlining requirements to suspend and reference to subcontract clause applicable"

"Last minute communications before the lockdown with no discussion or opportunity to respond."

Results analysis by question – Q12 - 14 wage subsidy

- 97 per cent had applied for the wage subsidy, which was well-understood.
- 50 per cent had received the wage subsidy
- Many respondents commented the wage subsidy was not set at the right level to support the civil construction industry, especially after deductions such as PAYE.
- Employers wanted support with fixed costs such as insurance, loans and rents
- The wage subsidy was appreciated by respondents, and considered sufficient for four to six weeks of lockdown, but not ten to twelve weeks of lockdown

Key quotes:

"The wage subsidy should be modified as a result of lockdown: ACC model is that the employee receives 80% of their last 4 weeks average pay, capped at \$2,015.

Suggestion that Govt pays somewhere between 50 and 100% of this. The employee can opt to top this up by taking annual leave if they wish. Payday filing with IRD means that there is already auditable information available."

“Pay is obviously the highest cost to the business, but the government subsidy still means there will be a significant financial implication to the company. While we can accept the negative effect over 4 to 8 weeks, a longer period will create larger debt for the company that will take years to recover from.”

“If the lockdown goes longer, the subsidy should be increased. No staff of ours is paid \$585 per week so this is not sufficient to cover wage costs, but we acknowledge it is paid for a 12-week period (not one month). However it actually covers something like 1.5 months only, not 3. They should also be deferring year end March 2020 provisional tax payments (due May 2020) to improve cash flow in case lockdown is prolonged.”

Results analysis by question – Q15 - 16 Tax relief

- The tax relief package was less well understood. Almost 50 per cent of respondents indicated they did not know if it was any use to their business, while 20 per cent said the tax measures were not of use to their businesses.

Results analysis by question – Q17 what more can CCNZ do to assist?

- Communication to members was high on the list, including around:
 - providing information on how to manage getting back to work swiftly
 - regular updates around rights and contractual obligations were requested by several respondents
- Advocacy around return to work and the needs of contractors was also recognised as a key CCNZ function, in particular
 - Advocacy around the civil construction work pipeline as a way to get the economy moving again
 - Balanced advocacy to get the industry started again sooner rather than later, but get started safely using industry-specific safety protocols
 - Introduction of industry-wide guidelines for invoice payments and standard contracts
 - Local government advocacy
 - Changes to the RMA and payment/invoicing terms
 - Cost reimbursement for contractors
 - Fast-tracking projects
- CCNZ’s advocacy and communications efforts were acknowledged with gratitude by several respondents, who said to keep up what we have been doing.
- Specific contractual information and legal advice was requested, especially around an entitlements review for 3910 and 3916 contracts.

Further details on responses are included in the full survey data.