

13 March 2013

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Dear Sirs,

ENHANCEMENT OF FUNDING LEVELS UNDER THE MECHANISATION CREDIT AND PRODUCTIVITY IMPROVEMENT PROJECT SCHEMES AND INTRODUCTION OF THE MECHANISATION CREDIT REFERRAL PROGRAMME

The Mechanisation Credit (MechC) and Productivity Improvement Project (PIP) schemes under the \$250 million Construction Productivity and Capability Fund (CPCF) have been enhanced with higher funding caps to better support industry's efforts in adopting technology as well as to encourage firms to build capability. A MechC Referral Programme will also be introduced to incentivise firms to refer other firms to the MechC scheme. Please see details as follows:

(A) Enhancements to the MechC Scheme

Higher funding caps for firms to encourage capability building

2 The funding level of the MechC scheme will increase from 50% to 70% for construction firms which can achieve a higher productivity improvement of at least 30%. The enhancement will especially benefit smaller contractors as they can receive higher funding for the purchase or lease of smaller equipment.

3 To qualify for the enhanced MechC scheme, firms would also have to show that they have built or committed to build capability in areas such as financial standing, human resource development, certifications and awards. Please refer to the criteria in Annex A.

4 The enhanced MechC scheme would run alongside the existing standard MechC scheme:

	Standard MechC Scheme	Enhanced MechC Scheme*
For Purchase of Equipment	Equipment cost \leq \$100,000, grant up to 50% or capped at \$20,000.	Equipment cost \leq \$125,000, grant up to 70% or capped at \$25,000.
	Equipment cost $>$ \$100,000, grant up to 20% or capped at \$100,000.	Equipment cost $>$ \$125,000, grant up to 20% or capped at \$100,000.

	Standard MechC Scheme	Enhanced MechC Scheme*
For Leasing of Equipment	For leasing cost \leq \$30,000, grant up to 50% or capped at \$6,000 whichever is lower.	For leasing cost \leq \$30,000, grant up to 70% or capped at \$6,000.
	For leasing cost $>$ \$30,000, grant up to 20% or capped at \$30,000.	For leasing cost $>$ \$30,000, grant up to 20% or capped at \$30,000.

Table 1: MechC funding table with existing and enhanced scheme.

MechC Referral Programme

5 The MechC Referral Programme incentivises contractors who have successfully tapped on the MechC incentive scheme to share with their smaller subcontractors the benefits of the scheme and the need to improve productivity. Through sharing and partnerships between main builders and their subcontractors, this will help the entire construction value chain achieve higher productivity.

6 Currently, the MechC has a funding cap of \$250,000 per firm. Under the MechC Scheme Referral Programme, the builder can earn an additional \$20,000 credit to increase the per-firm funding cap, as an incentive for every successful referral.

(B) Enhancements to the PIP Scheme

7 The adoption of technologies such as system formwork, drywall, modular and volumetric construction, prefabricated bathrooms and the automation of precast component production would require firms to incur heavy capital investments.

8 To jump-start the adoption of these technologies and overcome the industry's inertia at the initial stage, BCA is enhancing the PIP scheme to provide stronger support for the wider adoption of these technologies which will bring about significant productivity gains and reduce firms' reliance on workers.

9 The enhanced PIP will run alongside the current Standard PIP to include higher funding levels and a higher funding cap for firm level and industry level applications. To qualify for the higher funding caps, firms need to demonstrate capability development and achieve higher productivity improvement.

Category	Standard PIP	Enhanced PIP	
		Funding Level	Funding Cap
Firm	<ul style="list-style-type: none"> Co-fund up to 50% Cap at \$100,000 per application 	<ul style="list-style-type: none"> Co-fund up to 70%* <p><i>(firm must achieve at least 30% productivity improvement)</i></p>	<ul style="list-style-type: none"> Cap up to \$300,000 per application <p><i>(for selected key technologies**)</i></p>

Category	Standard PIP	Enhanced PIP	
		Funding Level	Funding Cap
Prefabricators	<ul style="list-style-type: none"> Co-fund up to 50% Cap at \$500,000 per application generally. 	<ul style="list-style-type: none"> Co-fund up to 70%* <p><i>(firm must achieve at least 30% productivity improvement)</i></p>	<ul style="list-style-type: none"> Cap at \$500,000 per application generally.
Group (at least two unrelated companies)	<ul style="list-style-type: none"> Co-fund up to 50% Cap at \$500,000 per application. 	<ul style="list-style-type: none"> Co-fund up to 70%* <p><i>(firm must achieve at least 30% productivity improvement)</i></p>	<ul style="list-style-type: none"> Cap at \$500,000 per application.
Industry (To be actively led by a Public Agency with at least two unrelated companies)	<ul style="list-style-type: none"> Co-fund up to 70% Cap at \$1 million per application 	<ul style="list-style-type: none"> Co-fund up to 70%. 	<ul style="list-style-type: none"> Cap at \$5 million per application <p><i>(firm must achieve at least 40% productivity improvement and technology must demonstrate potential to be applied to fundamentally change the whole industry)</i></p>

Table 2: PIP funding table with existing standard and new enhanced schemes.

Notes:

**For firms, prefabricators and groups: To qualify for the increase in funding level from 50% to 70%, firms will have to show evidence that they have built or committed to building capability through areas such as financial standing, human resource development, certifications and awards. Please refer to the criteria in Annex A.*

***For firms: Should they adopt key productive technologies, they qualify for an increase in funding cap up to \$300,000. Some examples of such key productive technologies may include:*

- (a) System formwork
- (b) Prefab bathrooms
- (c) Self-compacting concrete
- (d) Precast and steel construction

Commencement Date of New Schemes

10 The enhancements to the schemes will apply to applications received on or after **1 April 2013**.

11 Please assist to inform your members and partners on the contents of this circular. If any clarification or assistance is needed, please contact the following officers:

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12 Thank you.



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Criteria to demonstrate firm level capability development to qualify for the enhanced MechC and PIP Schemes

Firm must meet or commit to meet at least one criterion within any two of the following three areas of capability development (financial standing, human resource development and certification and awards).

A. Financial Standing

- i. Paid up capital is more than the grant amount; or
- ii. Revenue is more than the grant amount; or
- iii. Annual profit before tax for the three years preceding grant application

B. Human Resource Development

- i. Evidence of continual training and upgrading programme for workers (e.g. tapping on WTU funding, etc.), or
- ii. Evidence of continual training and upgrading programme for technical and management staff (e.g. CET programmes, undergraduate scholarship, diploma scholarship and sponsorship programmes etc.)

C. Certification and Awards

- i. ISO9001:2008 or ISO14000 or OHSAS18000/ SS506 Part1
- ii. Construction Productivity Award
- iii. Safety management certification/award

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