

## **Transcript of the Standing Committee on Government Operations and Estimating**

### **Testimony by John Gamble, President and CEO, Association of Consulting Engineering Companies | Canada**

**2018-02-06, 11:00 AM to 1:05 PM**

[Preamble describing ACEC Canada omitted.]

“We’re trying to do timely delivery. We’re trying to do fiscally responsible delivery and we’re trying to encourage quality and innovation. And at the centre of this is of course the public interest and the tax payers’ dollars.”

“It’s important to know that engineering, architectural, and related services only make up 1% of the entire life cycle of most assets that we get involved in, whether it’s a building, port or harbour, airport, 80% to 90% of the cost ends up being the operation and maintenance. Even the capital construction is rarely more than 10%, and is typically around 5%, yet that 1% that you invest in engineering and architecture has a cascading effect throughout design life of that entire project. It’s at this rather modest investment at the front that you have the opportunity to innovate, the opportunity to look at new materials, new methods, different ways of doing things. So therefore I would suggest to you that the engineering fees, the architectural fees that you pay at the beginning of a project should not be viewed as an expense to be minimized but as an investment to be leveraged. It’s at the beginning of a page that you have, figuratively speaking, a blank page. The opportunity for innovation and change is easy and inexpensive, but once you start pouring concrete, once steel goes into place, once you start writing code, the new ideas, the changes and the alterations become exponentially more expensive until you finally in the operational phase which can sometimes be decades and then your pretty much stuck with what you had decided on. So engineering decision you will end up living with for decades.

“And procurement is the key to leveraging this. It’s all about establishing common objectives and outcomes and making sure that there is a mutual understanding. It’s about making sure that there is a clear understanding of the cost-benefit relationships, clarifying the roles and responsibilities, and at the end of the day you want to make sure you have the right team for the right job and they have adequate resources to deliver on what you have committed to the Canadian tax payer. I would suggest that the lowest price is not the best price; the right price is the best price.

“Common challenges we have in public procurement, its often becomes a process unto itself rather than a means to an end. It discourages innovation. It often takes an extended period to award. And it sometimes confused value with low price. Whereas a good procurement system will clearly define scope and outcome objectives. It evaluates what actually distinguishes the proponents from each other as opposed to pages and pages of boiler plate. It fairly shares risk and reward. It rewards proposals that add value, that propose innovation. It uses a short list where necessary because writing proposals is very expensive to the industry, particularly SMEs, and it considers the life cycle of the project. And focusses on the best value rather than the lowest price.

“What we find is that when the lowest price is assumed to be the best price, proponents will minimally interpret the scope of work in order to be competitive. That means they’re not looking at alternatives. They’re not looking at the value adds. It will actually penalize you if you propose innovation. It actually penalizes you if you anticipate difficulties that might arise in subsequent construction phases or even in the operation. And so consequently significant life cycle savings are sacrificed in favour of short term savings.

“There’s a saying in our industry that sometimes if you know too much about your client’s needs, it’s the kiss of death if you want to win the job.

“Now many public agencies say we only use 20% price or 40% price or 10% price and in the handout I have provided to the clerk you’ll see that sometimes 20% is scored form 0 to 20 and all qualifications are scored in a narrow band you’ll see that the price will still dominate. So the way proponents interpret that is that I’ve got to minimally interpret the scope of work. Consequently, the surprises we get during construction downstream should really not be surprises. The best practice, Qualification Based Selection, is very much like the job interview process. You request the qualifications, you evaluate and rank your proponents. You ask for proposals from the front runners, and then you can sit down and interview in most cases, and then you select the highest ranked consultant. At this point you have not asked for a fee submission yet. You take your top ranked proponent, you site down with them, and you make sure that you have that mutual understanding of the scope and outcomes. It actually allows the owner to say “You know what, we’d like to do more this and less of that.” It allows more fidelity to the outcome for the owner and then you can make sure the fees actually correspond to the outcome, to the risk, and to the level of effort being provided by your consultant.

“And then you can award the assignment. If you can’t come to terms, just like a job interview, perhaps you agree to split company. Just like anyone else, I don’t think we prefer not to get jobs because we were the low bidders for the job. We prefer to showcase what we can bring to the table. We want to show that we can add value to the organizations. And if you like us, if we’re liked by the potential employer then we discuss terms. If we can’t agree to those terms then perhaps we go to someone else. No one says that you have to blow your budget. You can work within your budget just like we do as employers.

“Qualifications based selection is supported not only by ACEC but by Architecture Canada, Engineers Canada, the Federation of International Consulting Engineers, the American Public Works Association, and organizations world wide.

“I have provided you with an number of studies that have been done. This has been done for forty years on the States. In fact it is legislated that if you are going to buy engineering or architectural services as the federal government, you must use Qualifications Based Selection. Furthermore, if you are receiving funding from the federal government to do projects you must use Qualification Based Selection. And after 40 years, there was an extensive study of 200 projects. What they found was that by using Qualification Based Selection with a post negotiated fee with engineers and architects construction overruns were reduced by 70%. Schedule overruns were reduced by 20%. And most owners said that they received better service and more ability to deal with societal issues.

“In summary, you get the right outcomes, the right team, realistic schedules and budgets, fewer change orders and disputes, a better business relationship, and at the ends of the day, better service, better quality, and better value for tax payers. The good news is that we are in discussions with PSPC about a pilot project. We hope that this will take place over the course of 2018 and RIOs to go out. I want to congratulate PSPC and Assistance Deputy Minister Ariana Reza for taking on this challenge. There is a lot of evidence out there. As I say, this is not a new and crazy idea. It was validated by Infraguide 10 years ago; a document written by the public sector for the public sector. In conclusion I will just leave you with a thought from Albert Einstein. While putting price aside at the beginning might be counterintuitive to public procurement, Albert Einstein, a physicist said that “Not everything that counts can be counted and not everything that can be counted counts.”

“So I believe that your industry, SMEs and large firms, can provide better service and better outcomes for the government if it were to adopt Qualifications Based Selection as recommended by Infraguide 10

years ago, as has been commonly carried out by the United States, has been used by the city of Calgary for many years, and we have upcoming pilots from Transportation Alberta and MetroLinks as well as PSPC.

“Thank you for your time and your attention.”