

**ACEC Summit, St. Andrew, New Brunswick
CEO and Principals' Roundtable
June 25, 2010**

Moderator: Ken Morrison (R.V. Anderson)
Reporter: Jean-Marc Carrière (ACEC)
Group B (201-850 Employees)

Participants:

Brian Pearce (Stewart Weir)
Paul Morrison (ADI Limited)
Herb Kuehne (Associated Engineering)
Mathieu Riedl (Breton Banville & Associés)
Chris Newcomb (McElhanney Consulting Services)
Bruce Miller (Morrison Hershfield)
Naseem Bashir (Williams Engineering)
Murray Thompson (URS Canada)
Steve Frith (Urban Systems)
Douglas Clarke (Read Jones Christoffersen)

Guest: Carla Dresser (Autodesk)

Topics:

1. Stimulus funding and Government Relations Day
2. Mergers and Acquisitions
3. Future Direction – Challenges and Opportunities
4. P3s and the Impact on the Industry
5. International Opportunities
6. Human Resources:
 - Retiring Engineers & Succession Planning

Issue 1: Stimulus Funding and Government Relations

ACEC held a Government Relations day in November 2009 with a focus on Qualifications Based Selection (QBS) and Sustainable Infrastructure Funding. The discussions indicated concern on long term Sustainable Infrastructure Funding and Canada's "other Deficit" based on ageing of its Infrastructure. The Federal Stimulus plan which provided for a deadline of March 31, 2011 for the use of the allocated funds also presented a challenge. Suggestions were made that ACEC should advocate for a "Wind Down" period to permit ongoing contracts to be completed within a reasonable time frame, and complete the allocation of funds accordingly.

To alleviate the effect of the end of the Federal Stimulus funding, a question was raised on the ability of Private Sector funds lowering the impact or the reduced Federal

spending, if indeed the Private Sector would raise the level of spending. The Private Sector could help in areas such as upgrades of buildings.

There are some tax vehicles that are currently working to help Infrastructure investments such as the gas tax and carbon tax (BC) which help with transportation investments.

Actions for ACEC:

- **Report on the benefits derived from the Federal Stimulus Funding (i.e. Infrastructure Report Card)**
- **Gather information from Reed Construction Data on the current status of Canada's Infrastructure (% of lifespan used for Canada's Infrastructure – based on various categories)**
- **Lobby the Federal Government for a Long Term Infrastructure Funding Plan, to avoid continuing "boom-bust cycles"**
- **Request that Federal funding plans remove the conditions of "tied" partnerships with other levels of Government (i.e. three-way split between federal, provincial and municipal)**
- **ACEC should focus its messaging on "Public Safety" as one of the most important benefits from Infrastructure renewal Investments**

Issue 2: Mergers and Acquisitions

There was discussion on the impact of merger and acquisition activity on this membership size of firms. Large firms represent an increasing percentage of the ACEC membership (for 2010 – the top 13 member firms represent 56.6% of the membership and the top 21 member firms represent 65.5% of the membership personnel reported). There was a suggestion that ACEC should interact proactively with the larger firms to determine how to best demonstrate value to these members to ensure that their needs are met. There was also a suggestion for ACEC to hold regional meetings that may attract input from various members across the country (ACEC currently has a Member Organization tour consisting of the Chair and the President visiting across the country).

Suggestions were made to determine if there is a risk of loss of potential future CEOs or VPs given the new interaction of Young Professionals at ACEC events. Is this also giving additional ammunition to the Mergers and Acquisitions activity?

Actions for ACEC:

- **ACEC's strategic plan should address common issues for all members**
- **ACEC could investigate additional interaction with larger member firms**
- **ACEC could create committees such as Human Resources or Communications to help interaction with various member firms and report on best practices**
- **ACEC to conduct a communications audit to assess the level of communications with Member Firms and Member Organizations**

- **ACEC to investigate the creation of an Employee-Owned (type of firm) Forum for discussion, without splitting the membership in any way**
- **ACEC should get confirmation from the Membership (especially the larger firms) on their approach to lobbying**
- **ACEC to continue its Member Organization tour to monitor regional issues and approaches to lobbying**

Issue 3: Future Direction – Challenges and Opportunities

A few issues were raised concerning future challenges. The first example provided was the statement of one of the speakers at the conference Louise Lemon (Deputy Minister of Supply and Services New Brunswick); where she indicated that New Brunswick would probably remove commissioning work directly (sole source) due to upcoming application of the Provincial trade agreements. Another example used was that Engineering Services were not exempt from TILMA (Trade, Investment and Labour Mobility Agreement) or what some participants referred to the "New West Agreement".

There was a report that Nova Scotia had made some inroads towards QBS where the current awarding of contracts was made to submissions within 10% of the medium price.

The discussion raised the ongoing issue with ACEC members where many still state "We are our own worst enemies"; meaning that although many member firms believe in the values of QBS, when soliciting contracts, these members are willing to accept less than true QBS, or do not apply the principles properly. Client education and training is needed, including the message that QBS is a "transparent process" that does not diminish proper accountabilities within the government.

A discussion was held on ACEC issuing Public statements on decisions made that may affect Public Safety and other potential issues. A word of caution was discussed if any Public statements are made by ACEC, that governments will consider transparency and accountability in their decision making processes.

Actions for ACEC:

- **ACEC needs to continue to educate the values of QBS and life-cycle costing to the various stakeholders, as well as to members**
- **ACEC needs to monitor Labour Mobility Agreements as they are implemented in various jurisdictions and lend support to the exclusion of Engineering Services where appropriate**

Issue 4: P3s and the Impact on the Industry

P3s was raised as an issue of concern providing for an alternative to governments to involve more private investments in various Infrastructure projects. A statement was made that Government cannot afford to use alternatives such as P3s to reduce their deficit on a consistent basis. Should ACEC lobby Banks and/or Contractors used is this

alternative approach? Should ACEC emphasize the use of life-cycle costing? Do P3s only apply to a certain group? (I.e. exclusivity rules?)

P3s are attractive to government agencies because of the more comprehensive transfer of accountability to the private partners. ACEC should seek a role in the evaluation of P3s.

Actions for ACEC:

- **ACEC to report on P3s method of contracting and issues of concern in this method, and distribute findings to the Membership**

Issue 5: International Opportunities

There was a comment on the CIDA Inc. program having been transferred from CIDA to DFAIT which would likely improve the opportunities to Member Firms access for about \$20 million in foreign contracts.

Access to Trade Commissioners and International Funding Institutions (IFIs) were seen as useful ways to gather international work intelligence.

Actions for ACEC:

- **Solicit membership messages to be communicated to DFAIT**

Issue 6: Human Resources – Retirement and Succession Planning

Concerns were raised of the amount of retiring engineers and Member Firms' ability to do proper transition planning. There was also a concern of the potential "importers" of engineers if not enough Canadian engineers were produced through the education systems. Comments received from Deans of some Canadian universities alluded to Consulting Engineering as an industry that has a reputation for "Short Term" hiring. Some participants indicated relative success in implementing COOP programs with universities as a method of ongoing recruitment. There was a perception that the current young talent available may be sufficient in the immediate term.

A comment was made that there is a high risk of losing valuable Young Professionals to Government institutions. Member firms should offer proper remuneration and work-life balance options.

There was a discussion regarding member firm concerns about ever escalating salaries for increasingly mobile senior staff, without commensurate increases in billing rates. The discussion included a perspective that consulting engineering firms should stop using "headhunters" to fill their staffing needs as this approach often results in higher salaries (free agent mentality), and ultimately the imported staff leave via a headhunter, and often the same headhunter that brought them.

(From prior year roundtable notes) Proper succession planning was a directive in employee motivation. Involvement of key personnel at different levels in the succession plan also was seen as an insulating factor against "consolidation or takeover".

Actions for ACEC:

- ACEC to consider whether mid-level management should be included in the Annual Summit Conference
- ACEC to continue providing their Annual Compensation Survey which is seen as a useful tool for staff retention