

ACEC CEO & Principle's Roundtable Small Firms (1-55 employees)
ACEC Summit 2010 – St. Andrews by-the Sea
Friday, June 25, 3:00-5:00pm

Moderator: Ian MacDonald – RJ Bartlett Engineering - NB

Reporter: John Fudge ACEC-NB

Participants:

Alex Ochrym (CONSULTEC LTD.)

John Collings (COLLINGS JOHNSTON INC.)

Dick Walters (Walters Chambers & Associates)

Jason Mewis (ENGCOMP)

JimCouprie (Commsult Engineering Ltd.)

Topics:

- 1. Competition from larger firms**
- 2. ACEC-32 (Engineering Sub-Contracts)**
- 3. Procurement Practises**
- 4. P3**
- 5. Partnering with other Firms**

Competition From Larger Firms

- International projects are a challenge for smaller companies to compete without an office in the offshore region. Working with a local partner an advantage. Smaller firms can provide a higher level of service with lower costs. In order to develop markets off shore it was suggested to target specific owners with focus on tier two companies.
- Large firms hiring employees from smaller firms. In order to remain competitive smaller companies must develop a strategy to retain employees. Today's employees want more travel, money and flexibility. In order to retain staff smaller firms have to be more responsive to employee needs.
- Making proposals very expensive for smaller firms. How to compete with the larger firms with capability to produce very detailed proposals in color etc.
- The increased competition from larger firms is a function of the recession. This makes a very competitive environment with demands for lower fees from owners and partners.
- Smaller firms tending to take all work offered. In order to compete, smaller firms must make a connection with their clients.
- In the current business environment, the numbers of small consulting engineering firms continues to decline.
- One approach is to partner with a larger engineering firm.
- Keep existing clients; develop top management relationships and multilevel contacts.
- Partnering is a lot of work. Be aware that owners may not like dealing with multiple firms. Smaller firms must prove they can do it. Smaller firms have to be more responsive, provide more detailed technical excellence and work harder at keeping and developing client relationships. Assess the risks and chances for success in partnering with larger firms before committing time and resources in developing relationships. Insure the target firm's business culture is compatible with your firm.

Competition From Larger Firms (cont'd)

- Avoid large companies who may wish to hire your staff.
- Act as a prime to engage sub-consultants.

ACEC Document 32 (Engineering Sub-Contacts)

- ACEC Document 32 has same format as ACEC Doc 31, easy to read. When working with another engineering firm, insist that the ACEC Doc 32 be used or a similar agreement. There are two challenges for the sub-consultant; 1. To do work as determined by the owner but to not accept risks outside of the sub-consultants scope of work. 2. to get paid when the prime consultant gets paid. The principle of pay for work completed must have a cap of 45 days and only be responsible for engineering work completed.
- It is very important that smaller firms be paid on time. Larger firms are less understanding of small firm's cash flow needs. Small firms expect to be paid within thirty days of work completed.
- In some contracts the larger engineering firms are asking the sub-engineering firm to be bound by the prime agreement.
- Insure that contracts have limits to liability such as limited to fees for service or a defined cap of say \$50,000. Encon or XL Insurance can help with definition of these terms. Advise clients that contracts with no limits to liability are not acceptable.
- Common for larger companies to ask for contract items not acceptable but a businesslike approach in objecting to the items can be appreciated.
- Check to insure that the contract being signed contains the same elements as the original RFP.
- Large contracts require more due diligence. Read before signing.
- Ownership of engineering documents becoming an issue. Some Provincial clients want the copyright for nothing. Engineers must retain copyright of their documents. It is recommended that Consulting Engineers PDF documents.
- ACEC-32 will be available in the fall of 2010.

Procurement Practices

- Under the New West Partnership Agreement new engineering services contracts with more than \$75,000. (RFP, RFI) must contain an engineering service fee component. This is a major setback to ACEC's QBS initiatives. As a result of Trade discussions with the EU, Provincial Governments under pressure to tender engineering services.
- ACEC to continue to request for exemption of engineering services from trade agreements.

P3s

- The ACEC P3 (Task Force) Document will be coming out in the fall. It will define a different relationship with the owner.
- It is a challenge for a small firm to work on a P3. The small firm must have a niche. The small firm could work for the designer, the contractor or the facility manager.

P3s (cont'd)

- Some new P3s are adding separate consortium including Q/A, Environmental, Facility Management and Design.
- Cost to bid on a Ps for a small company is very high. In some cases the designer and contractor are spending \$1 million to make a proposal and receiving \$250,000 in compensation. On a \$750 million p3 project the design represented 5% of the construction costs.
- There has been a .3-.5% pursuit fee and an honorarium being offered on P3 building projects in some jurisdictions. In this case the Engineer is working at a loss.
- Appears that in the US Consultants are better paid on design built projects.
- Smaller firms should look at success fees (pursuit fees) and have goal discussions to review levels of risks and to determine proposal team's chances.

What Should ACEC be doing for smaller Consulting Engineering Companies

- Lobbying for exemption of Engineering Services from Trade Agreements
- Assisting small Engineering firms in the natural resource private sector (opposed by large firms)
- Work with Federal and provincial Governments to assist small firms in international markets.
- More private sector lobbying efforts to address the needs of the smaller consulting engineering firms.