

**ACEC Summit, St. Andrews by the Sea, NB
CEO & Principals' Roundtable
June 25, 2010**

Moderator: Pierre Asselin (AECOM Ltd.)
Reporter: John Gamble (ACEC)
X-Large Firms (851+ employees)

Participants:

Leon Botham (Golder Associates)
David Crandall (ADI Limited)
Yves Cadotte (SNC Lavalin)
Francois Plourde (CIMA+)
Jim Stewart (AECOM Ltd.)
Peter Washchyshyn (MMM Group)
Tom Wingrove (AECOM Ltd.)

1. Can the current economy sustain growth?

The industry is very busy at present. There was significant work available prior to the recession and stimulus spending has created new opportunities or accelerated implementation of projects that were pending. However, there was significant concern that federal and provincial levels of government have incurred significant deficits in part due to stimulus spending. Therefore there may be growing political pressure to severely curtail capital spending – including investment in infrastructure.

There is cautious optimism that infrastructure investment will simply revert to pre-stimulus spending levels. While this would not be sufficient address the infrastructure deficit in Canada, it may be sufficient to sustain most of the industry for the time being – though there would likely be a sag in workload. Further, the possibility of cuts to infrastructure investment does exist creating some uncertainty – discouraging firms from staffing up at this time.

There is hope that the improved economic situation would yield more private sector opportunities for the industry. However, most private sector opportunities for the industry continue to be slow (especially in manufacturing). It was noted that the mining sector continues to be strong and that previously delayed or deferred projects are becoming economically viable.

2. Future direction of industry and market place

There was a general consensus that most public owners have become less knowledgeable about the role of consulting engineers and value the industry provides. Many clients, under the guise of accountability and transparency, will not engage industry in meaningful discussions have insulated themselves from “realities of the industry”. This has led to some negative trends for the industry.

Governments do not fully appreciate the need for long-term, strategic investment in infrastructure. It is being viewed as a short-term fix instead of an investment in our economic competitiveness. There is a lack of awareness of the financial and structural implications of aging infrastructure on our quality of life.

Engineering services are being viewed more and more as a commodity, leading to inappropriate contractual terms and to downward pressure on fees. This industry is in part responsible for this by aggressively pricing proposals and/or agreeing to inappropriate contractual conditions. It was noted that some firms continue to be very successful by being selective in deciding which clients to work for and which projects to pursue. The challenge for ACEC is to encourage all ACEC members to be selective, or at least more diligent, in deciding whether to pursue work. This would require more education and communication to firms, but ACEC must be mindful of the *Competition Act*.

The role of the engineer is changing with the emergence of new delivery models such as P3s. While traditional project delivery will continue, it will likely become a smaller portion of the potential market for engineering services. However, new delivery models are also creating new opportunities for consulting engineers. Large firms in particular will need to recognize and adapt to this trend – which many have already been very successful.

The changing role of the consulting engineer is creating potential for conflict of interest (i.e. acting as the owner's agent on one project and as the contractor's agent in another). While consulting firms may declare potential conflicts and manage them appropriately, some owners make restrict opportunities for consultants that act in different roles on different projects because of the mere "appearance of conflict".

Another consequence of changing delivery models is the increased involvement of management consultants and other paraprofessionals in roles historically carried out by consulting engineers. The paradox is that in many cases these other "consultants" are less knowledgeable on infrastructure and project delivery and offload most risk yett seem to command higher fees than consulting engineers. This is in part attributed to a lack of knowledge by some owners and clients and in part to consulting engineers' lack of image.

There was concern that economic uncertainty, and perceptions of improper procurement by government, is leading to pressure from politicians and public sector unions to have government outsource less work to consulting firms. While this is not yet happening, it would be prudent for ACEC to monitor any such trends and be prepared to respond to this threat if and when it should arise.

3. International trends

There are many potential opportunities for Canadian firms to work with good clients overseas. Most lucrative opportunities appear to be with the public sector which frequently sole-source and provide repeat business – but firms should be selective.

Firms should be weary of ethical dilemmas that may arise in international work – especially private sector. Corruption is common in many regions and firms may be expected by clients to engage in conduct that could be viewed as unethical from a Canadian perspective.

The Government of Canada has proposed Bill C-300 which attempts to impose ethical conduct on all Canadian Businesses exporting goods and services. While consulting engineering firms support the principal behind Bill C-300, it is viewed as being unworkable and may place Canadian firms in an untenable position.

It was noted that the Federal Government is not as helpful to Canadian engineering firms as it has been in the past. CIDA is no longer involved with “hard infrastructure” and cancelled funding for feasibility studies under the INC Program (which is now with DFAIT). Many European countries are far more supportive of their exporting firms creating a competitive advantage over Canadian firms. There is also concern that the procurement provisions of current trade negotiations may treat engineering services as a commodity (as in the case of TILMA). These issues were identified as an area where advocacy by ACEC on behalf of the industry is important.

4. Human resources challenges

The ability to recruit and retain appropriately qualified staff and the ability is a continuing challenge for the industry – especially in the long term. While the recent recession had some impact, it only temporarily lessened the impact. “Poaching” of staff by other firms and especially by the public sector (because of favourable benefits and life/work balance) is an increasing problem. Misconceptions about the industry are being perpetuated by some university professors – this is an image issue that is being partly addressed by ACEC’s Engineering Legacies Project.

The industry never fully recovered from the recession in the early 1990’s when many young engineers left the industry and enrolment in engineering programs declined. Consequently, there is a “hole” in the profession where there are insufficient numbers of qualified staff at level where they would be purchasing shares and taking on leadership roles within the firms. This has required some firms to assign responsibilities to younger staff that would have benefitted from additional experience and training. This is even more acute in the public sector – contributing to the decline in knowledgeable owners and clients.

This situation has put more pressure on firms to provide sufficient performance management and mentoring – which is difficult with the industry so busy. The consensus was that the industry must show discipline and invest in performance management and mentoring for the health of firms and the industry as a whole. Firms should be prepared to increase fees to support this if necessary. It is important for young engineers to understand the business of engineering to be vested in the success of the firm. This will be an important element of succession planning.

Succession planning must also recognize changing values of young people (e.g. a sense of contributing to society is displacing remuneration as a motivator of young people). Firms must communicate with young employees in terms that are meaningful to them. Offering flexibility in their life/work balance is becoming more important – especially in keeping competitive with the public sector.

Pride in one's work and in the profession is also importance to retention and succession planning. Firms should be supporting the Young Professionals Program and using young professionals as ambassadors for recruitment and as mentors for retention.