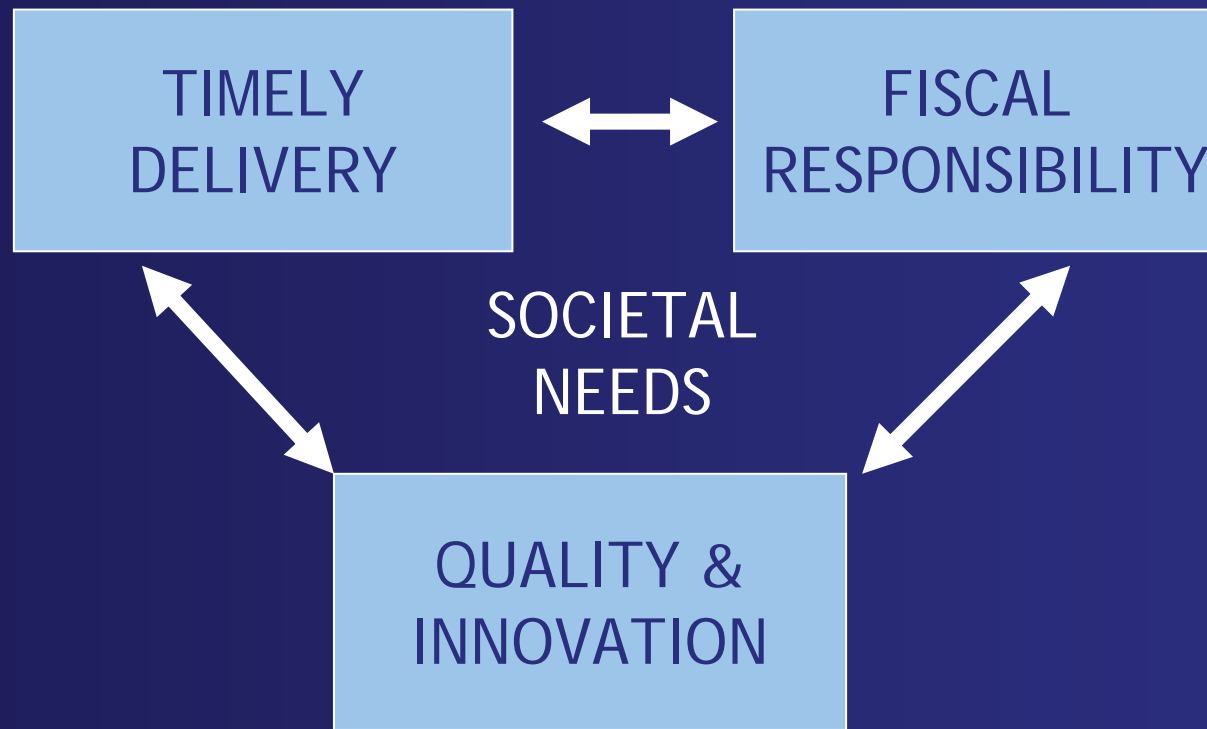


# Quality-Based Procurement: The Foundation of the Client/Consultant Relationship

Canadian Experience with the  
"Best Practice"



# The project delivery challenge

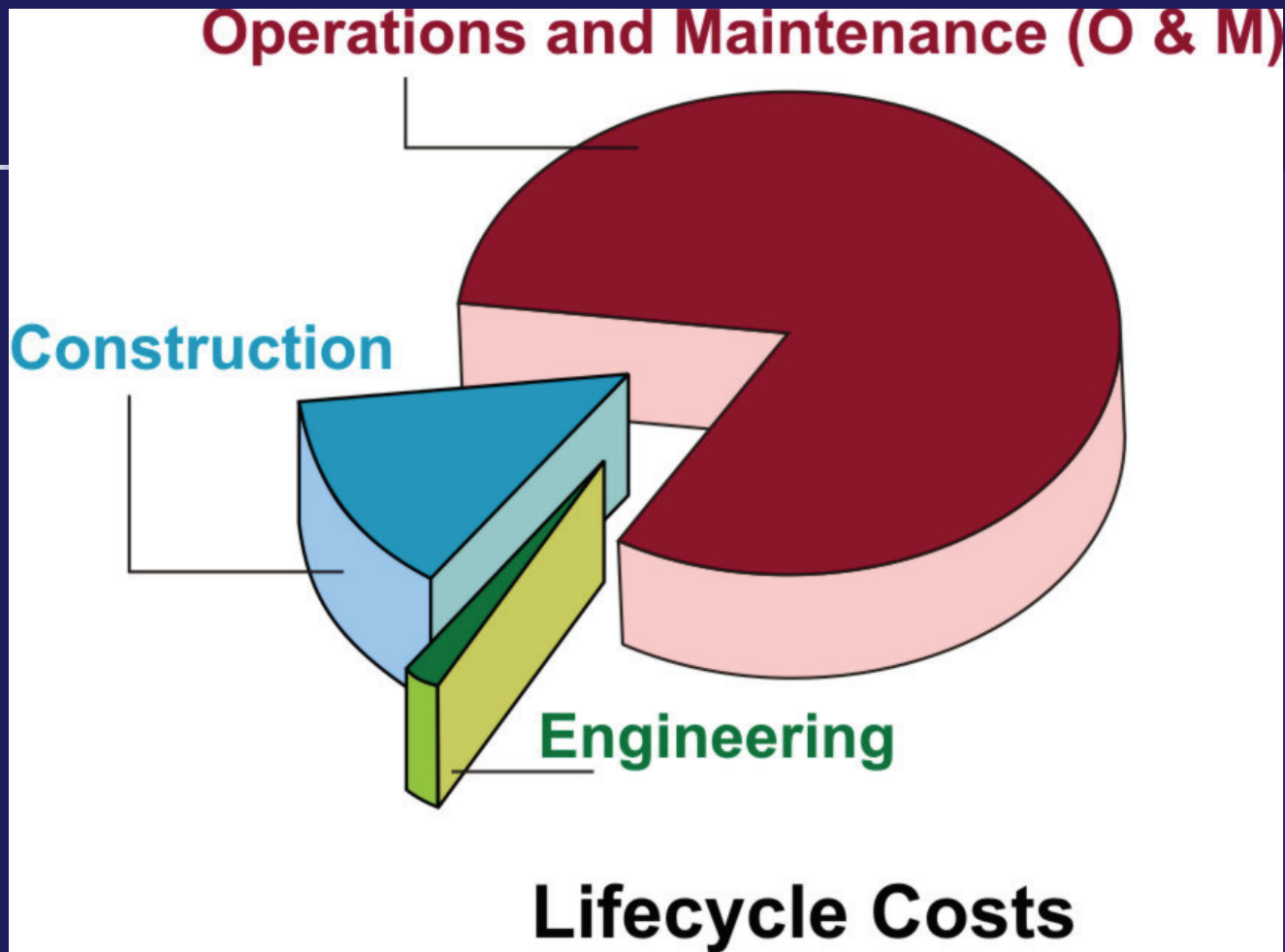


# Our profession is under attack:

## Lawyers and Accountants claim to be infrastructure experts

- Risk to public health and safety
- Emphasis on cost - not quality, not schedule
- Short-term outlook (Focus on initial 1-2% of total cost)
- Treating consultants as tactical resource – not strategic necessity
- Engineering seen as a commodity: “All are equal”
- Declining influence of engineers and architects on infrastructure, environment and energy decisions





# The Weakening an Essential Industry

- Low price engineering and architecture becoming "cheap"
- Industry no longer attracts the "best and brightest"
- Tight margins and price-competition on mega-projects (Alberta and Boston "big dig")
- New business models (PPP, design-build) push consultants down hierarchy
- Low price projects results in low re-investment (training, salaries and equipment)
- We are becoming "contractors"



# The Results:

- Engineers, architects and other technical consultants are merely tools - no longer the trusted advisors
- Engineering decisions are made by non-engineers (Professional and ethical issues)
- Client select technical experts using processes developed by accountants and lawyers for commodities
- Accountants and lawyers rarely follow these processes to hire their own profession
- Ultimately, clients are unhappy with results



*" It is unwise to pay too much, but it is worse to pay too little. When you pay too little, you sometimes lose everything because the thing you bought was incapable of doing the thing you bought it to do."*

John Ruskin (1819-1900)



# Engineers Must Respond for our Clients' Sakes





# Procurement is the Key

- Establishing common objectives and agreeing on desired outcome
- Understanding cost-benefit-risk relationships
- Clarifying roles and responsibilities
- Selecting the right team for the job (qualifications)
- Agreeing on scope
- Determining needed resources (fees and schedule)



# What's Wrong with Price Competition?

- Rewards firms for using fewer or less qualified resources on behalf of the client
- Penalizes firms with greater appreciation of the client's needs
- Penalizes firms that accurately anticipate complications or that propose innovation
- Increased life-cycle cost to client, owner and taxpayer (more changes, higher construction, higher operations and maintenance). Smaller "slice" for Engineers but a bigger "pie" for client.



# Project Delivery: The Client's Role

- Define objectives & requirements
- Provide baseline information
- Allocate a reasonable budget and schedule
- Clearly define expectations for risk sharing and risk management
- Develop a procurement process that best achieves client's goals
- Clarify scope



# Project Delivery: The Client's Challenges

- Clients need to become knowledgeable and capable of articulating objectives, requirements and scope
- Clients need to commit to appropriate budgets & schedules
- If the client is not knowledgeable then knowledgeable staff will need to be found (i.e. "trusted advisor")
- Otherwise client does not know what it wants; what it is buying; nor what it has received.



# Project Delivery: The Consultant's Role

- Provide practical and innovative solutions
- Manage clients' resources in cost-effective manner
- Achieve long-term value and life-cycle savings
- Act as client's agent in dealing with regulators, contractors and stakeholders
- Provide sufficient information and scope of work to contractor for construction



# Selecting a Professional Consultant

- The latest *InfraGuide* "Best Practice" is for **"Selecting a Professional Consultant"** (Released, June 2006)
- Developed by the public sector, for the public sector
- Working group of nine public sector experts; one private sector participant
- Supported by extensive interviews and research
- The recommended "Best Practice" is a competitive Quality-Based Selection (QBS) process



# How Does the *"Best Practice"* Work?

- Professionals compete based on qualifications and on understanding of the client's needs
- The client ranks proposals based on ability to provide the best service and achieve project objectives
- The client selects the highest ranked firm
- Together, the client and selected consultant establish a detailed scope, including deliverables
- Together, they negotiate appropriate fees and schedule that achieve the client's goals



# Recommended “*Best Practice*”

- Request for Qualifications
- Evaluate and Rank Consultants
- Request for Proposals
- Select Highest-Ranked Consultant
- Define Scope
- Negotiate Fee Agreement
- Award Assignment





# Why the “*Best Practice*”?

- “...encourages clients to view consultants as ‘trusted advisors’ who share their priorities and interest in achieving the best outcome for the project”
- “...it frees consultants to demonstrate how they can add maximum value to a client’s project rather than focusing on how to minimize fees to ‘win’ an assignment”



# Selecting Higher Quality

- Selection focuses on the quality and level of service required by the client
- Ensures mutual understanding of scope and objectives
- Allows sufficient resources for a successful outcome
- Innovation is encouraged and rewarded
- Better design & design documents (fewer surprises during construction and service life)



# Selecting More Accountability

- Competitive process based on merit and commitment of resources
- Allows creative approaches to risk management and risk reduction
- Fees and scope of work are mutually understood
- Fees directly correlate to the services to be provided
- Client maintains control of scope and budget



# Focus Upon Long-term Savings and Life-cycle Costs

- Encourages innovation
- Provides life-cycle savings that greatly exceed design costs
- Selection process can be less time consuming and less costly (pre-qualification)
- Fewer change orders and fewer disputes (more cost certainty)



# *The “Best Practice” is the Best Policy*

- Competitive and transparent process focusing on quality and long-term value
- Life-cycle savings start immediately and can extend over decades
- Encourages in-house expertise to represent the client’s (taxpayer or shareholders) interests
- Permits innovation and sustainable infrastructure



# Benefits for Client

- The client gets the right team for the right job
- More realistic schedules and budgets
- Fewer change orders and disputes
- Better business relationship between the client/consultants/contractors/external agencies
- Better service, better quality & better value



# Benefits for Consultants

- “Bait and switch” can be addressed
- Local knowledge valid criterion
- Sole Source acceptable
- Small and local can compete



# Who Recommends This Approach?

- National Guide to Sustainable Municipal Infrastructure
- American Public Works Association
- Canadian Council of Professional Engineers
- Royal Architectural Institute of Canada
- Professional Liability Insurers
- Organizations across North America and worldwide





# Where is it Used?

- This approach is legislated by the US federal government and 44 state governments
- The QBS principles reflected in the “Best Practice” are used by municipalities across the US and Canada including:
  - the City of New York;
  - the City of Calgary;
  - the City of St. John’s; and
  - the City of London, Ontario



# Informed Owners Agree

“Selecting the right team based on qualifications - not lowest price – ultimately provides the best value and best return on investment”

**Pete Steblin**

**City of London (Canada)**



# Infrastructure Experts Agree

“The long-term savings ... are far more significant than the short-term savings provided by the lowest-price design”

**Harold Murphy**

**National Research Council of Canada**



# Contractors Agree

“The Best Practice can help owners avoid needless disputes and litigation during construction”

**Clive Thurston**

**Ontario General Contractors Association**



# Insurers Agree

“This approach to procurement contributes to a sound risk management strategy”

**Peter Needra**  
**XL Insurance Group**



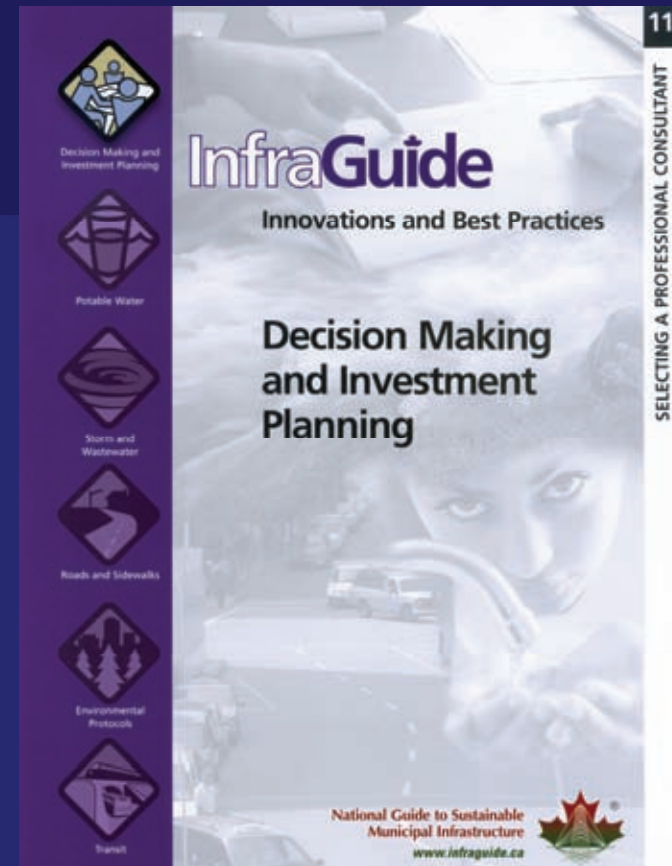
# Really Smart People Agree

“Not everything that can be counted counts; and not everything that counts can be counted.”

**Albert Einstein**  
**Famous Genius**



The Best Practice is available from of the Federation of Canadian Municipalities (FCM)



[www.thebestpractice.ca](http://www.thebestpractice.ca) or [www.fcm.ca/infraguide](http://www.fcm.ca/infraguide)



# Questions/Comments

~Thank you~

