

## Loss Control

# Bulletin

## Architects and Engineers

### Professional Liability Insurance

### Bidding for Projects—Just Say No! Or ...

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There has been a strong push by the associations representing consulting engineers to encourage clients to adopt a selection process based upon qualification for their projects. While the more knowledgeable and reasonable clients understand the merits of this approach, there are many others, most notably in the public sector, that are intransigent in their belief that price should be the governing factor in the selection process. The fact that design costs represent only a small fraction of the cost of construction, and that quality engineering will result in a better end product, possibly at lower cost, seems unimportant to them. At a recent meeting with a large municipality, city officials stated as a matter of fact that if consulting engineers believed that they could convince the city to alter its procurement strategy, they were dreaming. Interestingly, the clients that are most inclined to adopt this approach to contracting are also the first to point fingers at their consultants when their projects do not perform to expectation. These clients are encouraging firms to marginalize their design, sacrificing the optimal quality in their project for the benefit of the client's bottom line. This misconceived notion of value can have many negative results for us all, including higher life cycle costs, unnecessary litigation, and projects that are simply lacking in imagination, aesthetics and performance.

While we support the efforts of the associations to eradicate price-based selection processes, we recognize that they exist and will continue to be utilized by unenlightened clients. Many firms rely on such clients in order to exist and while they may not support their client's selection process, they do not have the power to force them to adopt a more reasonable approach. If you are still prepared to accept the risks associated with competing on price, you may wish to consider the following.

### Client Selection

Try to stay clear of clients that make price the predominant criteria in the selection process. Many clients use a two-part selection process, but if the technical evaluation is based upon loose or weak criteria, or if it is weighted inappropriately, you may wish to pass. There is always someone else that will do it cheaper and let the client get what it deserves. It is also important to conduct an investigation to ensure that your client is serious about the project and has the financial resources to proceed. A few well-placed, and carefully worded, questions should give you the answers you require. There is a significant amount of time and cost involved in preparing proposals and you don't want to waste time on projects that vaporize.

### Who Are Your Competitors?

If you can find out who you are competing against, you can evaluate your chances of success. Most firms operate with high standards, but there are rogues that continually make things tough for everyone else. If you are competing with the latter, you may wish to back off. Your experience with other projects will give you a sense of whether or not you may be wasting your time and money in preparing your proposal.

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CANADIAN COUNCIL OF PROFESSIONAL ENGINEERS  
CONSEIL CANADIEN DES INGÉNIEURS



Association of Consulting Engineers of Canada  
Association des ingénieurs-conseils du Canada

## Project Scope

It is much easier to price a design when the project scope is clearly defined and easily understood. Unfortunately, you may be faced with an ill-defined concept of what the client requires, but you are still required to price your design anyway. The client may still demand a level of performance that is much higher than you can possibly provide given your competitive bid, and is unlikely to re-negotiate your fee along the way. If the client has a poorly defined scope, you will need to be very precise in your proposal, not only with respect to what you will do, but equally important in dealing with what you will not do. We have seen a significant number of claims which involved vastly different interpretations of what the mandate was, or should have been. While the fee bid process may encourage firms to use less experienced and lower salaried staff, you will need the right people to define your mandate, estimate costs and prepare your proposal. This will save you countless headaches down the road.

## Conclusion

Clients that shop for professional services do so only because they lack a proper understanding of what they are getting for their money. They have also been aided by some members of the profession that have let this practice thrive with certain types of clients, either in the belief that it is not inappropriate, or because of the fear that their business could not survive otherwise. In either case, price competitions do not benefit the designer or the clients. Would the same clients find it appropriate to shop for medical or legal services, or do they consider the services of professional engineers to be of less importance? It is imperative that the profession continues its campaign to eradicate inappropriate selection practices. In these times of increasing claim and litigation costs, and the associated impact on insurance premiums, design firms are well advised to be more selective when choosing their clients and their projects. This is a key element of prudent risk management.



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