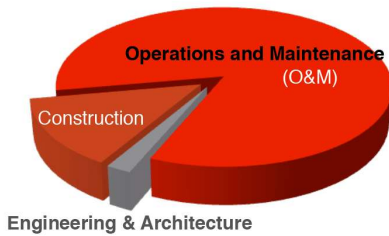


### WHY IS PROCUREMENT IMPORTANT?

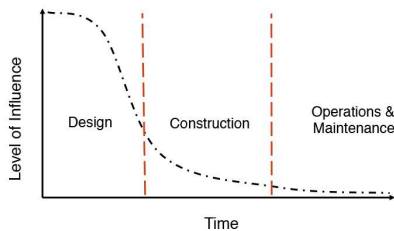
ACEC-PEI believes infrastructure is a core business of government and an investment in our social, economic and environmental quality of life, not a cost to be minimized. It connects communities, enables commerce and protects the environment. Supporting PEI's infrastructure represents a significant investment of tax dollars.

That is why it is so important to select the right team for projects. Upfront procurement decisions have a significant impact not only on the cost and quality of design and construction phases, but on operations and maintenance of infrastructure assets. Engineering and other professional services typically account for only 6-18% of capitals costs on infrastructure projects and 1-2% of total costs over the life-cycle of infrastructure assets. Yet these services dramatically impact all aspects of the financial and operational success of infrastructure for decades.

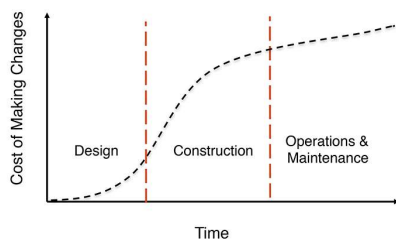
#### Total life-cycle costs



#### Opportunities to add value



#### Opportunities to add value



### HOW DOES THE BEST PRACTICE WORK?

Qualifications Based Selection (QBS) encourages the selection of the most qualified team who will work with the owner to jointly develop the required scope of services and the appropriate schedule and fees. QBS is similar to hiring people – identify the candidate/engineering firm who will provide the most value to the organization and help the organization achieve its objectives, and then negotiate terms of employment. If the owner and the preferred team cannot come to terms on scope and fees (e.g. project budget), the client is free to proceed to the next-preferred team.

#### PUBLIC BENEFIT

##### ✓ BETTER VALUE TO TAXPAYERS

QBS encourages innovation and provides better value to taxpayers and ratepayers on capital investments. It provides accountability by ensuring that fees will directly correspond to the level of service and the value of deliverables to be provided. QBS also results in more realistic and predictable budgets and schedules for capital expenditures.

##### ✓ SIGNIFICANT LIFE-CYCLE SAVINGS

QBS maximizes the value of the engineer's contribution to a project while reducing the project's life cycle costs to the owner/client. Engineering typically accounts for only about 2% of the life cycle cost of a project, but dramatically impacts the cost and quality of the remaining 98%. A recent American Public Works Association study shows that using QBS for engineering services reduces construction cost overruns from an average of 10% to less than 3% - equivalent to a savings of up to \$700K on a \$10M capital project. (These savings are often greater than the original design fees!)

##### ✓ BETTER RESULTS: QUALITY, INNOVATION AND SAFETY

QBS emphasizes quality, fosters innovation, and generates real savings in construction, operations and maintenance, saving taxpayer dollars while optimizing public safety and welfare.

##### ✓ A TRANSPARENT AND COMPETITIVE PROCESS



### WHAT IS WRONG WITH LOWEST PRICE?

- Rewards firms that minimally interpret project scope (e.g. commit fewer resources, less experienced staff)
- Penalizes firms that propose innovation
- Penalizes firms that anticipate complexities
- Significant life-cycle savings sacrificed in favour of modest short term savings
- Knowing “too much about the client’s needs can be a disadvantage”

### THE LOWEST PRICE DOES NOT EQUAL THE BEST VALUE

If delivery of capital works is based on the lowest possible fee, there are potential long-term consequences to both the economy (higher costs to taxpayers) and public safety. Selecting the lowest fee creates pressure to expend the least amount of resources necessary to meet the bare minimum requirements of the project – losing an opportunity to optimize the design, reduce lifecycle costs and enhance safety. It also discourages innovation and effectively penalizes proponents that anticipate potential complexities or who wish to propose value-added solutions all to save taxpayers money. The results of this will be felt in the years to come.

### Common procurement challenges...

Process becomes an end unto itself – rather than a means to an end

Treats professional services as a commodity

Discourages innovation

Assumes all proponents are equal

Takes extended period to award

Is used to justify pre-decided outcome

Confuses value with low price

### A good procurement system...

Clearly defines objectives and scope

Evaluates what distinguishes proponents

Fairly shares risk and reward

Rewards proposals that add value

Uses a short list where necessary – Proposals are expensive

Considers project life-cycle

Focuses on best value – not lowest price

