



Response to *QBS is Killing Our Industry!* by David A. Raymond



In the July 2013 issue of *PSMJ*, *PSMJ* consultant Dave Burstein wrote an article titled *QBS is Killing Our Industry*, in which he argued for modifications to our industry's QBS lobbying efforts.

Dave Burstein's July commentary—*QBS is Killing Our Industry* by lowering margins—misses the mark on several counts, discounting the value of Qualifications-Based Selection (QBS), the differences between public and private markets, and the problems inherent with cost-based procurements for A/E services.

He cites profitability in two sectors—transportation and industrial—to make his case. In the transportation sector, where QBS is widely mandated, he says profits have been relatively low, while the industrial sector, unencumbered by QBS, has seen larger margins. He concludes that QBS should be abandoned because it's not profitable.

First of all, QBS represents good public policy because it helps to ensure project outcomes that protect the health and safety of the public. That's why QBS has been used at the federal level since 1972 and why virtually every state has adopted the model.

Profitability in the transportation sector has been relatively low over the past decade because overall public investment in transportation has been flat. Even if QBS were repealed tomorrow, DOTs would still continue to face budgetary pressures to do more with less—and squeeze firms accordingly. Further, in many city and county projects not governed by QBS, profitability is even lower.

Work in transportation and other public sectors tends to be reliable and steady, which is why many firms are attracted to these markets. The industrial sector, on the other hand, has more ups and downs, and higher margins are often directly related to the assumption of greater risk, especially in turnkey projects.

Successful industrial clients “get it” in terms of connecting qualified firms to project success. Government agencies ... often do not—yet another reason we need the framework that QBS provides.

Burstein correctly points out that the “myriad rules” applied to DOT contracts put downward pressure on firm overhead and other expenses. A big part of this problem historically has been that firms had to comply with different procurement rules in every state. ACEC has achieved some success in addressing this issue by working with Congress and FHWA to establish a single set of audit and procurement rules based on the Federal Acquisition Regulations (FAR).

In my own experience in the industrial sector, prior to my current role at ACEC, I found that clients handled their procurements based on the principles of Qualifications-Based Selection (if not the formal methodology). The large A/E firm where I worked won contracts for power stations and other industrial EPC projects through qualifications and performance, not price competitions.

Successful industrial clients “get it” in terms of connecting qualified firms to project success. Government agencies, which frequently lack experienced procurement staff, often do not—yet another reason we need the framework that QBS provides.

Cost is very much a factor in QBS, but it's where it should be, on the back end of the process, after project scope and performance metrics have been established. If you flip this process and put cost on the front end, price will quickly become the dominant selection factor. Design firms would be pressured to craft bids that sacrifice innovation and the use of experienced staff in order to win price competitions, and client agencies would have to re-learn the hard lessons of being penny-wise and pound-foolish when selecting A/E firms for public works. ●

David A. Raymond has been president & CEO of the American Council of Engineering Companies (ACEC) for the past 14 years, joining the Council in March 1999. ACEC is the Washington-D.C.-based business association representing the interests of more than 5,000 independent engineering companies throughout the United States. Raymond has 20 years' experience in the engineering industry in executive positions with Raytheon in Massachusetts, Ebasco in New York, ENSERCH Corporation in Dallas, Texas, and TAMS in Washington, D.C.

CONTINUE THE CONVERSATION



What are your thoughts on QBS? Do you agree or disagree with David Burstein or David A. Raymond ... or do you have a different opinion all together? Let your voice be heard!

Log onto PSMJ's LinkedIn Page at:
Professional Services Management Journal